Infrastructure Development Bank of Zimbabwe

NATIONAL GROWTH AND TRANSFORMATION ENABLERS

Economic
Transformation
through Infrastructure
Development

2019
Annual Report

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ABBREVIATIONS AND DEFINITIONS

AFC	Africa Finance Corporation
AFD	French Development Agency
AfDB	African Development Bank
BBR	Beitbridge – Bulawayo Rail
BSAC	Bulawayo Students Accommodation
BUSE	Bindura University of Science Education
CAPEX	Capital Expenditure
CFF	Climate Finance Facility
CGG	Climate Finance Facility
CHFA	Centre of Housing Finance in Africa
CTC	Centralised Train Control
CUT	Chinhoyi University of Technology
CUZ	Catholic University of Zimbabwe
CZI	Confederation of Zimbabwean Industries
DAM	Delegation of Authority Matrix
DFIs	Development Finance Institutions
EOSD	European Organisation for Sustainable Development
ERM	Enterprise Risk Management
ESG	Environmental, Social and Gender
ESIA	Environmental and Social Impact Assessment
ESSMS	Environmental and Social Sustainability Management System
EWHP	Empumalanga West Housing Project
GCF	Green Climate Fund
GDP	Gross Domestic Product
GoZ	Government of Zimbabwe
HTPS	Hwange Thermal Power Station
ICT	Information Communication and Technology
IFRS 9	International Financial Reporting Standards 9
IMF	International Monetary Fund
IMTT	Intermediate Money Transfer Tax
IPPs	Independent Power Producers
IRR	Interest rate risk
ISERDP	Institutional Support for State Enterprises Reforms and Delivery Project
IVCF	Infrastructure Value Chain Facility
KHDP	Kariba Housing Development Project
KSPS	Kariba South Power Station
LIC	The Loans Investment Committee
LSU	Lupane State University
MALCO	Management Asset and Liability Committee
MoLAW&RR	Ministry of Lands, Agriculture, Water and Rural Resettlement
MoTID	Ministry of Transport and Infrastructural Development
MTS	Medium Term Strategy
NDCs	Nationally Determined Contributions
NIE	National Implementing Entity
NRZ	National Railways of Zimbabwe
OPC	Office of the President and Cabinet
PECG	Public Entities Corporate Governance
POGM	Policies, Operations, Guidelines and Manuals
PMS	Performance Management System
POTRAZ	Post and Telecommunications Regulatory Authority of Zimbabwe
PPDF	Project Preparation and Development Fund
PPDPA	Public Procurement and Disposal of Public Assets
PRAZ	Procurement Regulatory Authority of Zimbabwe
RMS	Resource Mobilisation Strategy
SDI	Spatial Development Initiative
SSA	Sub-Saharan Africa
SSCI	Sustainability Standards and Certification Initiatives
TDB	Trade & Development Bank
TSP	Transitional Stabilisation Programme
UNDP	United Nations Development Programme
USA	United States of America
USSAP	University Students and Staff Accommodation Programme
WASH	Water, Sanitation & Hygiene
WHITE	Water and Sanitation, Housing, Irrigation Facilities, Transport and Energy
ZERA	Zimbabwe Energy Regulatory Authority
ZIDA	Zimbabwe Investment and Development Agency Act
ZIIP	Zimbabwe Infrastructure Investment Programme
ZIMCODE	National Code on Corporate Governance Zimbabwe
ZITF	Zimbabwe International Trade Fair

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Deputy Board Chairman

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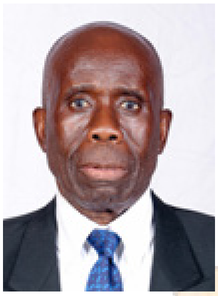
CEO

Ms. S. P. Bango
Board Member

Mr. Tedious Muzoroza
Board Member



Mr. Reginald Mugwara
Board Member

Dr. Norbert Mugwagwa
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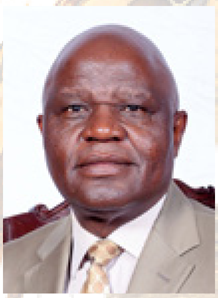

Mr. Jeremiah Mutonga
Board Member

CORPORATE MANAGEMENT

Mr. Thomas Sakala
CEO

Mr. Cassius Gambinga
Finance Director

Mr. Desmond Matete
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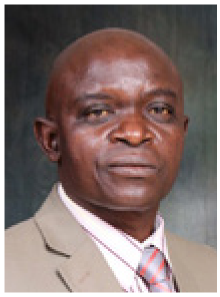
Mr. Willing Zvirevo
Director, Resource Mobilisation and Climate Finance

Mr. Phillip Tadiwa
Director – Corporate Services and Human Resources

Mr. Kennias Kanguru
Bank Secretary

Mr. Norbert Mutasa
Head, Credit and Operations

Mr. Reggie Dangarembwa
Head, Corporate Banking and Structured Finance



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Mr. Patrice Muzonda
Head, Internal Audit

Mr. Daniel Makono
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Mr. Takaidza Mabuto
Head Risk Management

CHAIRMAN'S STATEMENT

Joseph Mutizwa
Chairman of the Board

Background

Zimbabwe faced a challenging macroeconomic environment in 2019, which led to a 6.5% GDP decline against a projected 3.1% growth, (Ministry of Finance and Economic Development, 2019). This was mainly attributed to drought, high inflation, persistent foreign currency shortages, exchange rate instability and inadequate infrastructure. The Government of Zimbabwe came up with measures to stimulate production and ensure macroeconomic stability and anchored on these, a 3% GDP growth is anticipated in 2020 (ibid).

Contribution to Vision 2030

In 2019, the Government undertook critical fiscal reforms that enhanced fiscal discipline in line with the Transitional Stabilisation Programme (TSP) and towards the achievement of Vision 2030. The Bank expects to benefit from the stabilisation measures and the anticipated decline in inflation as it seeks to mobilise long term funding for infrastructure development in support of the TSP and Vision 2030.

The country reform agenda included the enactment of the Zimbabwe Investment and Development Agency Act (ZIDA) to provide for the promotion, entry, protection and facilitation of investment. The success of these reforms, together with progress on the ongoing re-engagement efforts and the external debt clearance strategy, are critical for the Bank's resource mobilisation programme for infrastructure development initiatives. As a result, the country's ranking improved from 150 to 140 on the World Bank Ease of Doing Business rankings.

Government has managed to see take-off of some of its flagship infrastructure projects in 2019. These include the Hwange 7 and 8 Thermal Power Station Expansion, Harare – Beitbridge Road Rehabilitation and Dualisation, New Parliament Building and the R.G Mugabe International Airport upgrade and expansion. The Bank complemented Government efforts in infrastructure development through monitoring of implementation of some of these and other projects in various infrastructure sectors (transport, water & sanitation, irrigation and housing). During the year under review, a total of ZWL1.6 billion was disbursed through the IDBZ towards public sector projects.

The African Development Bank (AfDB, 2019) estimates that to close the infrastructure gap, the country requires about US$ 3.4 billion per year for 10 years from 2020. This brings to the fore the need to mobilise the private sector, donor agencies and other development partners to participate in infrastructure development programmes.

As of 2019, the Bank had committed more than ZWL 10 million towards financing project preparation, with Treasury availing an additional ZWL 2.5 million. These resources are critical to support the development of projects to bankability and ensure they are ready for investment. The Bank's Project Preparation and Development Facility (PPDF) aims at crowding in further funding support from the private sector and other development partners.

Cognisant of Government's Devolution Agenda, the Bank continues to take a national outlook in its operations as evidenced by its growing physical presence across the country. The Bank now has regional offices in Masvingo and Bulawayo. This is expected to accelerate collaboration between the Bank and local authorities as well as with other players in the infrastructure value chain including the private sector.

As reported last year, the Bank remains steadfast in the execution of a national programme to modernize teaching and learning facilities at universities and institutions of higher learning in order to promote human capital development. In this regard, significant progress has been made in the construction of the Bulawayo Students Accommodation Complex (BSAC).

Bank Performance

Despite the challenging macroeconomic environment, the Bank continued with its various projects in the housing and social sectors in 2019. On completion, these projects will contribute to making our cities and human settlements inclusive, safe, resilient and sustainable (SDG 11) as well as ensure inclusive and equitable quality education that promotes life-long learning opportunities for all (SDG 4).

The Bank remains on course to achieving accreditation to the Green Climate Fund (GCF). Parallel to this initiative, the Bank is also working towards establishing its own Climate Finance Facility (CFF) as a platform for mobilising funding from various climate finance sources, including DFIs and Multilateral Finance Institutions, in support of climate investments. The CFF is currently undergoing a feasibility study to develop a legal and governance structure, operational framework, capitalization structure and funding products.

Institutional Reforms

Government continues to support the Bank's institutional reforms and partial privatization under the Institutional Support for State Enterprises Reforms and Delivery Project (ISERDP). Focus is now on the development of a long-term strategy aligned to the Country's Vision 2030 as the Bank's Medium-Term Strategy (2016- 2020) comes to an end. In pursuit of the reform agenda, the Bank has appointed a Financial Advisor to coordinate efforts to attract funding support from strategic partners in line with the Bank's long-term resource mobilization and capitalisation plan.

Appreciation

I would like to extend my sincere gratitude to all stakeholders who continue to contribute towards the achievement of the Bank's mandate. My appreciation also goes to the Government of Zimbabwe through the Ministry of Finance and Economic Development and the Reserve Bank of Zimbabwe for availing an additional ZWL 122 million towards the Bank's capitalisation. In the same vein, the Bank is grateful for the technical assistance and funding it continues to receive from cooperating partners.

The support received from our valued customers, suppliers and business partners is invaluable, and we wish to continue working together towards achieving Vision 2030. I am indebted to the Board, Management and Staff for their steadfastness and perseverance in this very challenging economic environment to deliver on the Bank's mandate.

Joseph Mutizwa
Chairman of the Board
Date : 26 March 2020

CHIEF EXECUTIVE OFFICER'S STATEMENT

Bank Operations

The Bank's Work Programme and Budget theme for 2019 was, "Economic Transformation through Infrastructure Development." In line with this thrust, the Bank has remained steadfast in the preparation and development of infrastructure projects in the housing, energy, transport, water and sanitation, and irrigation sectors. During the period under review, the Bank committed to the pipeline projects worth more than US$607 million. Some of these projects are expected to reach bankability in the second half of 2020.

During the reporting period the Bank raised ZWL39 million towards project financing activities. Projects under implementation in 2019 comprising of, Kariba Housing Development, Bulawayo Student Accommodation Complex and Empumalanga West (Hwange) Housing were carried over from the previous year, 2018.

The Bank's loan book closed the year at ZWL 58.8 million, primarily driven by lending to private sector players under the infrastructure value chain financing window.

Significant progress was registered in the monitoring of Public Sector Investment Programme (PSIP) projects in 2019 with a total of ZWL 1.6 billion being disbursed through the Bank. Projects monitored include the following:

- Pembi Bridge near Mvurwi Town;
- Ngundu - Tanganda Road Re-seal Project;
- Harare - Masvingo - Beitbridge Road Rehabilitation and Dualisation;
- Other road rehabilitation projects include; Mvurwi – Kanyemba Road and Pontoon, Bindura - Shamva Road, Mount Darwin – Mukumbura Road, Chivi-Mandamabwe Road, Gokwe - Siabuwa Road, Mberengwa - West Nicholson Road, Kwekwe - Nkayi Road, Rutenga - Boli- Chikwalakwala Road and Chilonga Bridge; and
- Dams projects include: Semwa, Bindura, Dande, Causeway, Chivhu, Marovanyati, Gwayi-Shangani and Tuli-Manyange.

The Bank was actively involved in the preparation, appraisal and implementation of housing projects across the country. This was in line with the Bank's commitment to develop 10,600 high density, 177 medium density and 992 low density serviced stands by 2020 as captured in the Transitional Stabilisation Program (TSP: 2018-2020). Projects targeted for completion in 2020 include Empumalanga West (Hwange) Housing Project (2 135 high density stands) and Kariba Housing Development Project (1 560 high, medium and low density stands).

Several housing sector projects were under preparation in 2019. These projects, which are expected to reach bankability in 2020, are as follows:

- Lupane Students Accommodation Complex;
- Chinhoyi University of Technology Student Accommodation;
- Bindura University of Science Education Student Accommodation;
- Catholic University of Zimbabwe Student Accommodation; and
- Royal Manor Housing Project in Masvingo.

In line with the green energy initiative and to contribute towards reducing the energy deficit, the Bank is collaborating with Independent Power Producers (IPPs) to prepare and develop projects in the energy sector. The following energy projects are expected to reach bankability in 2020:

- Osborne Mini Hydro (1.7 MW); and
- Odzani Mini Hydro (3.6 MW).

During the year under review, the Bank continued to work with key stakeholders in the water and sanitation sector to prepare some projects to reach bankability. These included:

- Chiredzi Water Augmentation Project;
- Victoria Falls WASH Project; and
- Irrigation Schemes are planned at the following dams; Biri, Marovanyati, Causeway, Gwayi-Shangani, Semwa, Tuli-Manyange, Bindura and Chivhu.

The Bank is pursuing a recapitalisation initiative whose main objective is to attract funding support from strategic partners who are aligned to the Bank's developmental mandate, and who will facilitate access to long term funding suitable for infrastructure investments. In the meantime, the Bank's shareholders continue to support its operations to ensure that it continues to execute its mandate and remain financially sustainable. Enhancing the Bank's capital base is a key priority that will allow the Bank to build capacity to fund project preparation activities for a growing project pipeline, and also scale up lending activities.

During the year, the Bank deepened its collaborative relationships with various cooperating partners that include

Afreximbank, Trade & Development Bank, Africa50 and Africa Finance Corporation. The World Bank continues to provide invaluable technical assistance as the Bank develops its Climate Finance capability. The French Development Agency (AFD) has availed a grant of EUR 200,000 to the Bank towards capacity building. In addition, the AFD has allocated a grant of EUR 100,000 towards co-financing the Biri Irrigation Scheme Feasibility Study alongside the Bank.

The Bank has further deepened its commitment to sustainability through integration of environmental, social and gender issues in project development and programming. A grant of EUR 50,000 was secured from Hivos, Netherlands, for the Bank to undertake a Gender Audit. The audit will culminate in the development of a Gender Strategy and Action Plan to support gender mainstreaming in the Bank's operations.

The Bank will continue utilizing various instruments and funding mechanisms, including infrastructure bonds, structured finance, joint ventures and blended finance, to assist in closing the country's infrastructure gap.

The Bank is now focused on the development of a long-term strategy to succeed the Medium-Term Strategy (2016-2020).

Financial Performance (Inflation Adjusted)

The Bank's revenue grew by 1.3% from ZWL82.4 million in 2018 to ZWL83.5 million in 2019. This was driven by strong performance on fee and commission income which grew by 91.8% from a prior year figure of ZWL21.8 million to ZWL41.7 million in the current year, courtesy of increased activities under the Public Sector Investment Programme. The Bank also earned some advisory fees from its role as the transaction advisor on **Government projects.**

Fair value gains of ZWL179.8 million were recorded on investment property as a result of a change in functional currency from United States Dollar (USD) to Zimbabwe Dollar (ZWL) in 2019. However, the Bank made a loss of ZWL866.4 million against a prior year profit of $5.1 million mainly driven by a loss on net monetary position of ZWL1 billion. Total comprehensive loss for the year was ZWL675.8 million against the prior year loss of ZWL13.2 million.

Total assets declined by 64.4% from ZWL3.7 billion at the prior year-end to ZWL1.3 billion as at 31 December 2019 due to continued depreciation in the value of ZWL.

The loan portfolio performed well. Furthermore, the resolution of some key non-performing exposures resulted in the improvement of the NPL ratio to below 2%, well within the RBZ acceptable threshold of 5%. The Bank continues to strengthen its credit appraisal, monitoring and recovery processes in order to maintain the NPL ratio within the acceptable threshold.

Appreciation

My appreciation goes to the Government, the Ministry of Finance and Economic Development, the Reserve Bank of Zimbabwe and all other stakeholders for their commitment to developing infrastructure which is the bedrock for the attainment of Vision 2030. The Board's incisive guidance and oversight role is highly valued.

T. Zondo Sakala
Chief Executive Officer
Date: 26 March 2020

CHAPTER 1 : ECONOMIC TRANSFORMATION THROUGH INFRASTRUCTURE DEVELOPMENT

CHAPTER 1: ECONOMIC TRANSFORMATION THROUGH INFRASTRUCTURE DEVELOPMENT

1.1 Global Economic Overview and Outlook

World economic growth was estimated at 2.4% in 2019 and is expected to reach 2.5% in 2020 (see Table 1). Optimistically, the world economic growth can reach 3.3% in 2020 (IMF, Jan 2020). The 2019 world economic growth is the worst since the 2008 World Financial Crisis. The slowdown in the world economic growth is attributable to weak trade and investment.

The improvement in the US-China trade relations will be a major boost to global growth following the signing of a phase one trade deal in January 2020. Investment is also expected to gradually recover in 2020. However, the world economy faces the following headwinds:

i. rising geo-political tensions and rising social unrest;
ii. US – China trade tensions;
iii. weakening manufacturing sector;
iv. global tightening of financial conditions and re-emergence of financial stress in large emerging economies;
v. climate extremes; and
vi. Corona Virus (COVID 19) pandemic.

The World Bank estimated the Euro Zone growth at 1.1% in 2019, projected a 1% growth in 2020 and 1.3% in 2021, lower than the four-year average of 1.6% as shown in Table 1.1. In 2020, growth in the Zone is going to be supported by accommodative financial conditions and less disruptions in trade.

In the United States of America (USA) growth is decelerating due to lower export performance and insipid investments. The economy will be weighed down by increasing trade costs, weakening manufacturing sector, expenditure cuts by government, policy uncertainty and waning confidence. However, unemployment in the USA reached its lowest level in the decade in 2019.

Table 1.1: World Economic Growth 2016 - 2021

Region/ Country	% Real GDP growth/ Year					
	2016	2017	2018	2019	2020	2021
World	2.6	3.1	3	2.4	2.5	2.6
Advanced Economies	1.7	2.3	2.1	1.6	1.4	1.5
USA	1.6	2.2	2.9	2.3	1.8	1.7
China	6.7	6.8	6.6	6.1	5.9	5.8
BRICS	4.6	5.3	5.4	4.6	4.9	4.9
Euro Area	2	2.4	1.8	1.1	1.0	1.3
Emerging Market and Developing Economies	4.1	4.5	4.3	3.5	4.1	4.3
Sub-Saharan Africa	1.3	2.6	2.5	2.40	2.90	3.10

Source: World Bank (January 2020)

China's economic growth is expected to slow down from 6.1% in 2019 to 5.9% in 2020. The Chinese economy is under threat from the US trade dispute, cooling demand, lower intermediate imports and health threat from COVID-19. The signed phase one trade deal offers relief to the Chinese economy.

1.1.1 Global Financing Environment

Asset prices recovered in 2019 on the back of low long-term returns. Low rates contributed to easing pressures in emerging markets. Compensation for taking risk remains low in many financial markets. The global financial systems remain vulnerable to economic growth slowdown. There has been a re-emergence of increasing sovereign debts in world major economies and the Euro area. China has high corporate, household and local government debt levels due to accommodative monetary policies pursued over the past decade. Bonds market liquidity has declined in the post global financial crisis period.

1.1.2 Global Prices of Commodities

Over the year, there has been a slowdown in the recovery of commodity prices. In the medium term, agricultural and food prices are expected to remain stable. Increase in commodity prices will be supported by energy price fluctuations, adverse weather events, and/ or trade tensions.

In the outlook, metal and energy prices are expected to be softer due to weaker global growth and subdued demand. Global energy prices are also susceptible to geo-political tensions. Crude oil prices averaged US$60 per barrel in 2019 and are projected to weaken to an average of US$58 per barrel in 2020 (World Bank, 2019).

Global energy prices, which also include natural gas and coal, averaged 15% lower in 2019 than in 2018, and are expected to continue declining in 2020. Zimbabwe is likely to benefit from lower oil prices barring currency depreciation. However, the decline of coal prices is likely to negatively impact the country's mining sector output.

Gold firmed by approximately 22.4% in 2019 supported by the depreciation of the U.S. dollar, increased gold holdings by central banks and investors diversifying their asset base. Other metal prices are projected to fall 5% in 2019 and continue to slide next year as slowing global demand weighs heavily on the market.

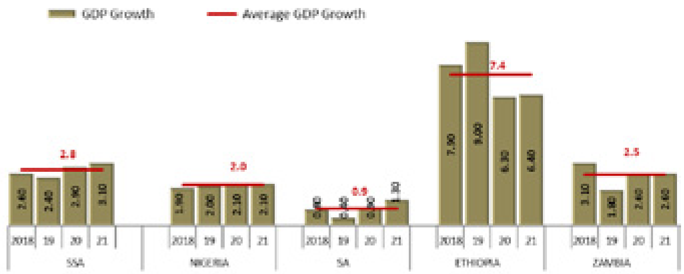
The developments on the international commodity markets are a critical determinant of the recovery of the mining sector. The outlook points to a very difficult operating environment for the mining sector in Zimbabwe. However, recovery of gold prices and lower oil prices gives a silver lining.

1.2 Regional Economic Overview and Outlook

The Sub-Saharan Africa (SSA) region growth in 2019 was estimated at 2.4%, projected to reach 2.9% in 2020 and 3.2% growth in 2021 (World Bank; 2020). Growth is going to be supported by increased oil production; strong agricultural production; strengthened cyclical recovery and improved investor confidence. Headwinds include geopolitical tensions, escalation of armed conflicts, softening external demand, global policy uncertainty, climate change and falling commodity prices.

The SSA growth frontiers are; Rwanda, which is expected to register an 8.1% growth in 2020, Ghana (6.8%) and Ethiopia (6.4%). In other SSA countries such as Uganda and Togo, growth continues to be supported by investment in public infrastructure. These countries are providing good templates for Zimbabwe in its quest to achieve middle income status by 2030. Extreme weather events such as drought continue to negatively impact on growth in most countries in the tropics with Senegal and Zimbabwe being the worst affected countries 2019. Zambia and Kenya also suffered from dry spells.

Figure 1.1 Sub-Saharan African Growth Prospects



Source: World Bank – Jan 2020

In South Africa, growth is expected to firm to 0.9% in 2020 and 1.3% in 2021 from 0.4% in 2019. Growth remains constrained by weak external demand from the Euro Zone and China, lower commodity prices, infrastructure bottlenecks (especially electricity) and slow pace on macro-economic reforms.

1.3 Zimbabwe Economic Overview and Outlook

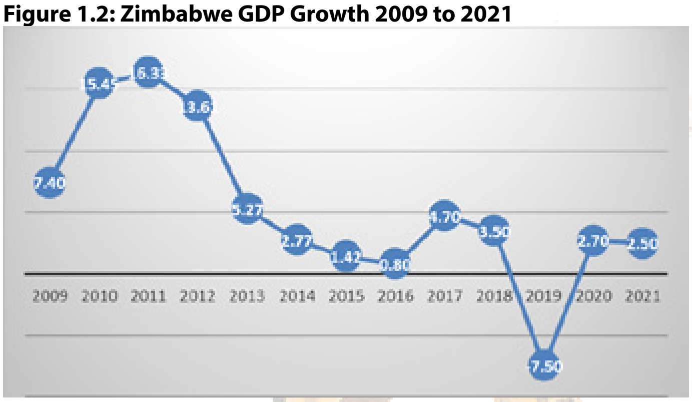
The Zimbabwe economy is estimated to have declined by 6.5% in 2019 capping one of the most difficult years since 2009 . The economy was weighed down by;

i. unfavourable weather conditions (drought and Cyclone Idai),
ii. shortages of electricity, food, fuel and foreign currency,
iii. high inflation, and
iv. depreciating local currency.

The situation was exacerbated by; dilapidated infrastructure, lack of international financial flows, lack of social cohesion, weak governance in the public sector, and increasing incidences of corruption and rent seeking behaviour. In addition to this, the scarcity of medium to long term funding as well as a constrained interbank market curtailed the Bank asset creation ability. However, the introduction of the foreign exchange interbank market is expected to improve the availability of forex in the market.

Capacity utilization has declined from 48.2% in 2018 to 36.4% in 2019, although there was a 20% increase in manufactured exports, and is projected to reach 27% in 2020 under inactive policy environment (CZI, 2020). Consequently, the balance of payments (BoP) deficit improved in 2019 to reach US$0.548 billion from US$2.5 billion.

Figure 1.2: Zimbabwe GDP Growth 2009 to 2021



Source: World Bank January 2020

Looking ahead, Government projects a 3.0% growth in 2020, higher than a 2.7% projection by the World Bank. A more pessimistic view is that the country may decline by 12.9% if the challenges are not addressed and macroeconomic stability is not achieved. Downside risks to the country's growth include:

i. low international capital flows;
ii. inadequate energy and power supply;
iii. unstable macroeconomic environment;
iv. climate extremes;
v. poor social and economic infrastructure;
vi. low levels of foreign reserves and foreign currency shortages;
vii. low country credit rating; and
viii. high interest rates.

Zimbabwe's economic outlook remains challenging going forward. The 2019/20 agricultural season has turned out to be below average, apart from the tobacco crop. There are efforts to increase energy supply to the agriculture sector as part of initiatives to support irrigation development. The Bank expects to play an important role in the resolution of infrastructure bottlenecks that are an albatross to the attainment of Vision 2030.

1.4 State of Infrastructure Development in Zimbabwe

1.4.1 Infrastructure Gap

Adequate, affordable and sustainable infrastructure is a sine-quo-non for economic development. Improvement in national competitiveness requires efficient transport systems, adequate and affordable energy, consistent supply of water and modernised ICT infrastructure. Furthermore, human capital development enhances innovation and absorption of new technologies, amplifying the indispensability of social infrastructure in anchoring socio-economic development.

The African Development Bank (AfDB, 2018) estimates the cost of power shortages and high energy tariffs to be about 2-4% of GDP growth in Africa. Zimbabwe as a landlocked country requires development of transportation corridors, linking resource rich areas with gateways or ports to export markets in line with the country's Spatial Development Initiative (SDI). Higher transportation, water and power costs in Africa's low-income countries are estimated to dampen private sector productivity by almost half — much the same as crime, corruption and limited financial market access combined (IMF, 2013).

In Zimbabwe, infrastructure deficiencies, particularly, electricity, water and transport continue to put a drag on the country's socioeconomic transformation (2020 Zimbabwe Infrastructure Investment Programme (ZIIP)). During the TSP period, from October 2018 to December 2019, about ZWL4 billion was spent by the Government of Zimbabwe towards infrastructure development. However, changes in the currency regime, high inflation and exchange rate instability have hindered progress on ongoing projects. The fiscus was further constrained by the need for Government to respond to emergencies such as Cyclone Idai and a severe drought. Addressing the impact of Cyclone Idai required approximately US$757 million, catering for transport, housing, health, agriculture, education and environmental sectors (ibid).

Implementation of infrastructure projects was also affected by lack of capacity of some implementing agencies.

1.4.2 Infrastructure Financing Context

The country's external debt situation is one of the major impediments to the Bank's ability to attract foreign lines of credit due to high sovereign risk. The country is in the process of re-engaging with international organizations for it to be able to access international finance. However, slow progress in resolving the external arrears position has continued to negatively affect the Bank's efforts to secure funding support from multilateral and international financial institutions.

An unstable macro-economic environment, characterised by high inflation, foreign currency shortages and low investor confidence has negatively impacted on the Bank's efforts to mobilise long-term capital suitable for infrastructure investments. With inflationary pressures building, institutional investors are more concerned about value preservation. Consequently, they have rebalanced their portfolios towards listed equities and real estate as a way of hedging against inflation. It is anticipated that as the economy stabilises in response to an array of fiscal and monetary policy reforms, confidence will be restored and this will facilitate mobilisation of long-term capital for deployment towards priority infrastructure projects.

The lack of fully packaged bankable projects has remained a drawback to the Bank's fundraising initiatives. Most project promoters lack the funding and capacity to develop projects up to investment stage. To help address this challenge, the Bank has put in place a Project Preparation and Development Fund (PPDF) to finance project preparatory activities up to bankability. The PPDF facility, which is currently funded to the tune of ZWL12.5million, is inadequate against a growing pipeline of projects. The PPDF facility allows the Bank to play a catalytic role through taking on early-stage risk and crowding in private sector investors into projects once they are fully packaged for investment.

Capacitation of the PPDF facility is key to increasing project financing outcomes. Consequently, the Bank is looking to significantly grow the PPDF envelope primarily through internal capital transfers. The Bank will also continue to solicit for project preparation funding support from National Treasury and development partners to complement its internal resources. At the same time, prioritisation of projects and efficient execution of project preparation activities will be key in ensuring optimal use of constrained PPDF resources.

1.4.3 Energy

The national electrification rate was estimated at 42% in 2019, with a marked rural urban divide as urban household's electrification stood at 83% compared to 13% for rural areas (ZIIP). However, access to on-grid electricity has been further curtailed by acute power shortages, which have seen the country facing more than 18 hours daily of load shedding in 2019.

In aggregate, Zimbabwe has an installed electricity power generation capacity of about 2,300 MW (ZIIP). The two largest power stations are Kariba South Power Station (KSPS), with an installed capacity of 1,050MW and Hwange Thermal Power Station (HTPS) with 920MW. The balance of 135.8MW is contribution from Independent Power Producers (IPPs) through solar grids and mini-hydro power stations. Frequent drought cycles have negatively impacted electricity generation from KSPS, while generation at HTPS and other thermal power stations is being weighed down by frequent breakdowns as well as unreliable coal supply. The GoZ has led the national call to climate proof energy production and increased research in renewable energy sources.

To ameliorate the persistent power challenges, various national projects are lined up and these include;

i. 2400MW Batoka Gorge Hydro Electric Scheme Project jointly implemented by the Governments of Zambia and Zimbabwe.
ii. 600MW HTPS Expansion Project; and
iii. 21.36MW expected from IPPs in solar and mini-hydros.

In line with its mandate, the Bank partnered IPPs to raise funding for project preparation, development and implementation. Interventions by the Bank in the energy sector are guided by the need for sustainability and affordability.

1.4.4 Transport

Zimbabwe overly relies on road for transportation due to an unreliable rail network and this has accelerated the deterioration of its road network. The Roads Conditions Survey in 2019 shows that 87% of the surfaced road is in fair to poor condition (AfDB, 2019). Considering all the road classes, approximately 29% of the road network is in poor condition and only 2% is good while the rest is fair (ibid). A significant number of bridges require major repairs or rehabilitation to restore or to enhance their structural and functional integrity.

The transport sector, just like other infrastructure sectors is constrained by poor equipment, low investment and lack of technical capacity. This has resulted in; poor maintenance and rehabilitation as well as traffic congestion in the major cities and at border posts. The emergence of unplanned settlements in and around urban areas without properly planned and designed road infrastructure has exacerbated the situation. Inadequate road infrastructure in rural areas imposes bottlenecks hindering access to facilities such as commercial centres, clinics, water sources, fields, grinding mills and schools.

The rehabilitation of roads will catalyse trade internally and externally, reduce road maintenance costs, vehicle maintenance and operation costs, journey times, congestion and road accidents. The total cost of rehabilitation is estimated at US$27.3 billion with the bulk of the funding required for tertiary roads and US$589 million for routine maintenance (AfDB, 2019).

The National Railways of Zimbabwe (NRZ) operates a 2,760 km rail network linking to the networks of South Africa, Mozambique, Zambia and Botswana (CPCS, 2017). It connects Zambia and Democratic Republic of Congo to seaports in South Africa and Mozambique and is pivotal to the North - South Development Corridor, Limpopo Development Corridor and the Zambezi Development Corridor.

However, NRZ operational capacity, designed at 18 million metric tons, fell from 12.4 million in 1998 to about 2.7 million metric tons in 2016 (ibid). Moreover, the automated Centralised Train Control (CTC) system which covered the network's mainline of about 1,580 km was reported dysfunctional, whilst the 313 km electrified section between Dabuka in Gweru and Msasa in Harare was vandalised resulting in the total suspension of electric locomotives (CPCS, 2017).

In sympathy with the deteriorating national macroeconomic conditions, the rail sector also suffered from depressed demand as major customers scaled down operations/closed, frequent power outages, foreign currency shortages and aged infrastructure. As a result, some sections of the railway are rendered unsafe notably; Bulawayo – Victoria Falls line, Gweru – Masvingo line, and Gweru – Shurugwi line.

Revitalisation of the NRZ is a key imperative for the promotion of trade in Southern Africa and improving competitiveness of the local companies. After the termination of the engagement that was set to raise US$ 400 million for capitalisation of NRZ, Government, set aside ZWL 214 million in 2020 budget targeted at NRZ short term interventions. Opportunities for private sector participation abound in the rail sector as demonstrated by the Beitbridge – Bulawayo Rail (BBR) and other 18 projects that were implemented between 2002 and 2017 (AfDB, 2019).

It is estimated that:

i. acquisition and refurbishment of locomotives, wagons and coaches required US$145 million;
ii. rehabilitation of signals, electrical components and tracks – US$ 206 million; and
iii. plant, equipment and technology – US$ 48.5 million.

The Bank is also engaging MoTID for an advisory role in the Harare - Chitungwiza Rail Link Project in 2020 and plans are underway for commencement of feasibility studies.

1.4.5 Water and Sanitation

By 2019, Zimbabwe had made extensive investment in dam construction leading to a total stock of 8,000 inland dams (AfDB, 2019). In 2013, utilisation of water resources was at 22 % (4.1 billion m3) broken down as follows:

i. Irrigation and livestock 3.3 billion m3;
ii. Domestic 0.6 billion m3; and

iii. Industry 0.2 billion m3.

The National Water Policy (2013) estimated that agriculture accounted for about 82% of surface water use while domestic and industrial use accounted for about 15% and mining 3% in 2007.

The country's irrigation extended from 160,000ha to 180,000ha in the commercial and small holder sector by year 2000 and over 20,000ha of informal irrigation during the same period. In 2013, about 67% of the developed 200,000 hectares was functional. This puts into perspective the urgent need for rehabilitation of irrigation schemes throughout the country.

Challenges in the water sector include inadequate maintenance of water sources, pollution in major water bodies and failure to implement catchment plans.

In 2015, about 76% of households had access to improved water supply and of these 97% was concentrated in the urban areas. However, the situation has turned for worse as most urban areas suffer from water rationing due to inadequate supply of portable water. In most urban areas, settlements have sprouted without proper sewer and water reticulation forcing households to rely on pit latrines and shallow wells. Households connected to municipal water go for days without water supply as a result of low water levels in dams, loss of treated water through underground leakage due to obsolete pipes and lack of foreign currency to procure water treatment chemicals. The water sector is also prone to hydrological and climatic variability. The situation is compounded by 40% to 50% prevalence of non-revenue water in many municipalities. As a result, in 2018, there was a cholera outbreak with over 8,500 cases and over 80 deaths reported (AfDB, 2019).

The Government identified 13 key priority projects that require investment of US$ 2.6 billion to increase the country's water storage capacity by 7.2 billion m3. Additional projects with a capacity of 34.9 billion m3 are at concept stage and will require funding of about US$ 4.6 billion (AfDB, 2019).

In 2015, access to proper sanitation was estimated at 95.6% in urban areas and 46.4% in rural areas (AfDB, 2019). The required outlay for the sanitation sector is estimated at US$ 504.63 million.

1.4.6 Information and Communication Technology

Technological development is essential for modern economic growth. Increased innovations in ICTs are the primary drivers of economic processes such as production and trade during recent decades (World Bank, 2017a). Great strides have been made in the uptake and use of ICTs in Zimbabwe, as evidenced by the high active mobile penetration rates of 92% and internet penetration, which stood at 55.4% in 2018 (POTRAZ, 2018). Zimbabwe has achieved high mobile penetration rates estimated at 84.8% in 2019. A total of 100 new base stations were deployed in 2019. As the country positions itself for regional integration and therefore enlarged markets, ICT infrastructure will be key in unlocking the benefits to be realised from such integration. The Bank will continue to work with other stakeholders to open up communication channels, adoption of technology in key economic sectors and enhancement of value in the local economy.

Power supply challenges have affected service provision in the sector. Government has come up with a 2030 Master Plan and Implementation Strategy that focuses on further investment in ICT infrastructure to address limited coverage. Innovative investments are required to derive benefits and quick wins from the current fibre infrastructure network.

1.4.7 Social Infrastructure

The country's urbanisation rate was estimated at around 2% in 2015. However, due to the biting economic environment the urbanisation rate has increased. In 2015, the lowest cost of a newly built house was about US$ 18 000 and only about 28.6% of the population could afford this. Analysis done by the Centre of Housing Finance in Africa (CHFA) shows that there is an adequate market size for mortgage financing, that is, there is need to reduce cost of housing to match the affordability of low-income Zimbabweans (CHFA, 2019).

Benefits of housing projects include employment creation and stimulation of economic activity. Housing is also critical to people's sense of identity, health and general wellbeing. For effective delivery of housing, the collaboration between government and private sector is critical.

During the period, October 2018 – December 2020, IDBZ has targeted to develop 10,600 high density, 177 medium density and 992 low density stands as part of its contribution to the social infrastructure cluster under the TSP.

CHAPTER 2: MEDIUM TERM STRATEGY IMPLEMENTATION THROUGH BANK OPERATIONS

CHAPTER 2: MEDIUM TERM STRATEGY IMPLEMENTATION THROUGH BANK OPERATIONS

2.1 Strategic Thrust

The IDBZ Medium Term Strategy 2016-2020 (MTS) identified five key focus sectors for the 5-year planning period. The sectors are: Energy, Transport, Water & Sanitation, Housing & Social Infrastructure, and Information and Communications Technology (ICT). These five sectors were selected based on the impact they have on economic development and the improvement of livelihoods. During the year, Government initiated institutional reforms within various parastatals under the AfDB-sponsored Institutional Support for State Enterprises Reforms and Delivery Project (ISERDP). This saw a Consultant undertaking a Performance Review of the Bank, which was intended to guide the development of a Turnaround Strategy. This performance review concluded that the Bank had moderate impact in four of the target focus sectors aforementioned, with noticeable impact in the area of housing and social infrastructure.

Accordingly, the Turnaround Strategy Report recommended that in the short to medium term, the Bank needed to focus on five sectors given its level of capitalisation. The Bank separated the irrigation component from the Water and Sanitation sector to give prominence to agriculture. As a result, the primary sectors of focus were revised to: Water and Sanitation, Housing, Irrigation infrastructure, Transport and Energy (WHITE). Secondary sectors of focus include Educational and Health Facilities and Tourism infrastructure, with ICT as a cross-cutting issue. Additionally, the following were recommended as means of delivering infrastructure projects by the Bank:

i. Technical and funding support in project development;
ii. Resource mobilisation & financing; and
iii. Project implementation monitoring.

Given the Report's recommendations coupled with Government's Vision 2030 priorities, the Bank's 10-year Strategy, which is still under development, and the 2020-2022 Work Programme and Budget are anchored on the following:

i. primary focus on Water and Sanitation, Housing, Irrigation facilities, Transport and Energy; with secondary focus on Education and Health Facilities, Tourism infrastructure, and ICT;
ii. building the Bank's capitalisation towards a level of US$1 billion by 2030 in order for the Bank to become a top tier development finance institution (DFI) on the continent based on the Prudential Standards Guideline and Rating System (PSGRS) for DFIs;
iii. scaling up lending to the private sector to spur industrialisation, employment creation and export generation; and
iv. supporting project preparation and development to improve design, management and implementation of projects.

The Bank's strategy and activities are premised on the key imperative of achieving the following:

i. transformational impact;
ii. sustainable development with a special focus on environment & climate change issues;
iii. financial sustainability; and
iv. national equity, focusing on gender equity and geographical coverage of projects.

2.1.1 Resource Mobilisation Strategy

The Bank's Resource Mobilisation Strategy (RMS) is driven by the following key objectives:

i. mobilising sustainable financing in support of bankable infrastructure projects and the Bank's private sector lending business;
ii. building strategic partnerships with other DFIs, multilateral finance institutions and private sector investors;
iii. growing the Bank's capital base; and
iv. developing a climate finance capability within the Bank.

A key priority going forward is improving the Bank's capital base in line with regulatory minimum capital requirements. This will enhance the Bank's ability to attract funding for project preparation activities and grow the pipeline of investment-ready projects. Short, medium and long-term capitalisation initiatives are being pursued to bolster the Bank's balance sheet capacity.

2.1.2 Infrastructure Focus Sectors

In 2019, the Bank targeted to develop several projects to bankability, however, the introduction of new procurement guidelines by the Procurement Regulatory Authority of Zimbabwe (PRAZ) negatively impacted on turnaround times. Consequently, project preparation work was affected by cost escalations and available resources became inadequate. The Bank targets to commence implementation of 8 projects with a total funding requirement of US$77.4 million in 2020. The Bank anticipates deploying about US$6.5 million from its PPDF facility towards project preparation and development. Prioritisation of projects and efficient execution of project preparation activities will be key in ensuring optimal use of constrained PPDF resources.

2.1.2.1 Energy

The Bank takes cognisance of the need to increase the country's electricity generation capacity to ensure increased access to clean and affordable energy.

In 2019, the Bank had planned to focus on the preparation and development as well as implementation of Oxygen Energy Rooftop Solar Project, Rufaro Farm Solar Project and Osborne Dam Mini Hydro Project. For Oxygen Energy Rooftop Solar, the promoter secured alternative implementation arrangements and the project was dropped from the Bank's pipeline. Project preparation for Rufaro Farm Solar Project and Osborne Dam Mini Hydro Project continued in 2019.

The Bank is working with Independent Power Producers in the renewable energy space to prepare and package projects to bankability, in line with the green energy initiative. The following energy projects in Table 2.1 are targeted for development and/or implementation in 2020 – 2022.

Table 2.1: Energy Projects Targeted for Preparation and Implementation in 2020-2022

Project	Capacity (MW)	Project Value (US$ million)	Location
Rufaro Farm Solar Project	50	75	Marondera
Osborne Dam Mini Hydro Project	1.7	5.51	Mutare
Odzani Mini Hydro Project	2.4	5.5	Mutasa
Sable Solar	50	75	Kwekwe
Gutu Solar	20	25	Gutu
Plumtree Solar	TBA	TBA	Plumtree
Gwayi Solar	TBA	TBA	Gwayi

Following the completion of the Osborne Dam Mini Hydro Project feasibility study in 2018, the Bank is working on the project to reach financial close. Odzani, Gutu, Plumtree and Gwayi Projects are earmarked for feasibility studies in 2020.

2.1.2.2 Transport

In 2018, the Bank had an advisory role to Government towards implementation of the following projects; Beitbridge-Harare-Chirundu Road Rehabilitation and Upgrading, and Runde River Bridge and Link Road. However, in 2019 the Ministry of Transport and Infrastructural Development (MoTID) amended the procurement model, as a result, the Bank is negotiating for an alternative role in these and other projects. On the Beitbridge Border Post Modernisation Project, the Bank as part of the technical team advised on the procurement of the investor for the project.

The Bank is also engaging MoTID for an advisory role in the Harare - Chitungwiza Rail Link Project in 2020 and plans are underway for commencement of feasibility studies.

2.1.2.3 Public Sector Investment Program (PSIP)

GoZ steadily increased its budget for capital expenditure (CAPEX) from 0.8% in 2014 to 4% of GDP in 2019 reaffirming its commitment to investment in capital projects. About ZWL 4 billion of the CAPEX was allocated towards infrastructure development in 2019, of which, 40% (ZWL1.58 billion) was channelled towards the PSIP portfolio under the management of IDBZ through its agency agreement with the Government. This, coupled with ZWL0.29 billion carried over from 2018, constituted a portfolio of ZWL1.87 billion (a nominal growth of 282% from ZWL0.49 billion in 2018) available for disbursements to projects.

During the year under review, ZWL1.63 billion was disbursed to projects whilst the unutilised balance of ZWL0.24 billion was carried forward to 2020. Figure 2.1 shows the disbursements across four sectors.

The water and transport sectors had the largest allocations, constituting a combined 92% of the portfolio. The balance was distributed between Cyclone Idai efforts and social infrastructure projects.

The unstable macroeconomic environment characterised by high inflation, acute fuel shortages and inadequate foreign currency inhibited project implementation progress. Lack of capacity of local contractors, procurement bottlenecks and insufficiently prepared projects also contributed to delays in project implementation. As a result, only 53% of the project completion target for the year was covered. Notwithstanding, the following projects were completed; Norton Road over Rail, Pembi Bridge and Ngundu -Tanganda Road among others

In light of the project implementation challenges faced, the Bank considers adequate project preparation as a necessary condition for effective and efficient project execution. Adequately prepared projects take on board the views and needs of all stakeholders and includes a comprehensive environmental and social study that ensures the successful implementation of socially inclusive, gender sensitive and climate resilient projects. To capacitate local contractors, there is need to consider increasing funding of the infrastructure value chain through the Bank. The prioritisation of PSIP projects requires fine tuning so that project completion can be accelerated.

2.1.2.4 Water and Sanitation

In 2019, the Bank focused on project packaging, preparation and development of WASH projects shown in Table 2.3.

Figure 2.1: Disbursement per Sector for 2019

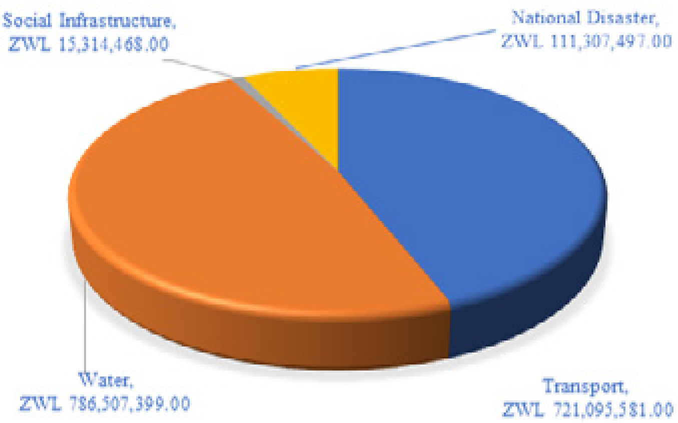


Table 2.2: Government 2019 Capital Expenditure, Budget and Disbursements.

CAPITAL SINKING FUND @ 31122019							
		FUND SIZE					BALANCE AVAIL.
SECTOR	2019 BUDGET	2018 B/F	2019 RECEIPTS	TOTAL	DISBURSED	FOR DISB'MNT
Transport	305,800,000	213,888,409	589,723,754	803,612,163	721,095,581	82,516,582
Water						
Dams	127,000,000	(4,944,006)	879,711,384	874,767,378	764,336,936	110,430,442
Irrigation Rehabilitation	31,800,000	17,809,059	-	17,809,059	11,233,909	6,575,150
Water Supply Stations	5,900,000	11,120,339	-	11,120,339	9,441,088	1,679,251
Local Authorities- Sanitation	61,250,000	13,639,476	-	13,639,476	1,495,466	12,144,010
	225,950,000	37,624,868	879,711,384	917,336,252	786,507,399	130,828,853
Social Infrastructure:						
Institutional Accommodation	3,000,000	20,150,754	-	20,150,754	4,980,863	15,169,891
Health Facilities	17,000,000	22,650,000	(14,150,015)	8,499,985	8,289,624	210,361
Ministry Youth, Sport & Recr	-	(64,447)	1,705,419	1,640,972	884,564	756,408
Housing (HRF)	-	653,668	6,686,359	7,340,027	1,159,417	6,180,610
	20,000,000	43,389,975	(5,758,237)	37,631,738	15,314,468	22,317,270
National Disaster						
Cyclone Idai	50,000,000	-	113,353,296	113,353,296	111,307,497	2,045,799
GRAND TOTAL	601,750,000	294,903,252	1,577,030,197	1,871,933,449	1,634,224,946	237,708,502.80

Table 2.3: WASH Projects by the Bank in 2019

Project	Scope	Expected Outputs
Chiredzi Town Council WASH	Rehabilitation and upgrading of the water and wastewater system in the Town	15 Mega-litre water plant
Victoria Falls WASH	Construction, expansion and rehabilitation of water & sanitation infrastructure and installation of pre-paid water meters	• Pre-Paid Meters • Rehabilitated Sewer Plant • Water Supply Reservoir
Marondera Municipality (MM) WASH project	Construction, expansion and rehabilitation of water & sanitation infrastructure and installation of pre-paid water meters	• Pre-Paid Meters • Rehabilitated Sewer Plant • Water Supply Reservoir
Redcliff Municipality Water and Wastewater Treatment	Construction, expansion and rehabilitation of water & sanitation infrastructure and installation of pre-paid water meters. Construction of a 3MW solar plant	• Pre-Paid Meters • Rehabilitated Sewer Plant • Water Supply Reservoir • 3MW photovoltaic solar plant

Marondera and Redcliff Municipalities opted for alternative implementing arrangements for their WASH projects. It is expected that Victoria Falls WASH Project will be approved for lending in 2020, while the feasibility studies for the Chiredzi Town Council WASH Project are expected to be completed in 2020.

In addition, the Bank focused on the utilisation of water bodies for the establishment of viable irrigation schemes. Working in partnership with the Ministry of Lands, Agriculture, Water, and Rural Resettlement (MoLAW&RR) through the Department of Irrigation, establishment of irrigation projects on the dams in Table 2.4 was agreed.

Table 2.4: Dams identified for Irrigation Projects

Existing Dams		Dams Under Construction	
Name	Location	Name	Location
Marovanyati	Buhera	Semwa	Rushinga
Muzhwi	Mashava	Bindura	Bindura
Manyuchi	Mwenezi	Dande	Mt. Darwin
Biri	Chinhoyi	Causeway	Marondera
Lilstock	Bindura	Thuli-Manyange	Gwanda
Osborne	Mutare	Gwayi-Shangani	Hwange

2.1.2.5 Housing and Social Infrastructure

The implementation of the Bulawayo Student Accommodation Complex Project (BSAC), Empumalanga West Housing Project (EWHP) in Hwange and the Kariba Housing Development Project (KHDP) was projected to be completed in 2019. However, due to changes in functional currency and exchange rate parity, funds raised in 2018 were no longer sufficient to fund the projects. The BSAC Project, which was at 53% completion as at 31 December 2019, is expected to be commissioned in 2020.

The KHDP, which involves the servicing of 1,560 high, medium and low density stands, covers three sites; Baobab, Batonga and Kasese. In view of the cost escalations, IDBZ engaged the Government with the view of funding the completion of EWHP and KHDP Kasese site under PSIP. The Bank will continue with the implementation of Baobab and Batonga sites to completion in 2020.

Development on the Sumben Housing Project stalled in 2019 as a result of pending environmental regulatory approval. Going forward, the Bank expects to implement the project in phases once the requisite approvals are granted.

Under the University Students and Staff Accommodation Programme (USSAP), the Bank continued with several project preparatory works covering the Catholic University of Zimbabwe (CUZ), Chinhoyi University of Technology (CUT), Lupane State University (LSU) and Bindura University of Science Education (BUSE). The Bank secured properties across the country earmarked for the development of students and staff accommodation facilities targeting both academic and health institutions across the country's ten (10) provinces.

Table 2.5 shows the housing and social infrastructure projects targeted for development in 2020.

Table 2.5: Housing and social infrastructure projects under development in 2020

Project Name	Type	Estimated Project cost (US$ m)	Location
Willsgrove Park	Development of residential stands	2.4	Bulawayo
Victoria Ranch	Development of residential stands	7.8	Masvingo
Royal Manor	Development of residential stands	7.8	Masvingo
Athol House	Development of a health facility	6	Harare
Aluta	Development of residential stands	1.2	Kadoma
Marimba Flats	Development of residential flats	4	Harare
Lupane Health	Development of Health Staff accommodation	29	Lupane
Harare Public Ablution Facilities Project	Rehabilitation of existing and construction of new public ablution blocks	1.3	Harare
Killarney	Development of residential stands	8.6	Bulawayo
Getjenge	Development of residential stands and expansion of the Central Business District	8.9	Plumtree
Binga Hotel	Development of tourism facilities	16.1	Binga
Chinhoyi University of Technology- Accommodation	Construction of Halls of Residence for students on campus	13	Chinhoyi
Catholic University in Zimbabwe	Construction of Halls of Residence for students on campus	9.5	Harare

2.1.3 Infrastructure Value Chain Facility (IVCF)

The Bank's IVCF loan book size grew from ZWL18.5 million in 2018 to ZWL58.8 million in 2019. In addition to infrastructure value chain financing, the Bank expanded its focus to include support of industrial development in 2019. The Bank projects the growth of the loan book under private sector support to ZWL343 million in 2020. The growth is expected to be funded using foreign lines of credit and locally mobilised resources.

2.2 Development Effectiveness

In fulfilling its mandate, the Bank, in 2019, embarked on various activities that include: project identification, project preparation, resource mobilisation, and project implementation monitoring and supervision. The Bank also capacitated players in the infrastructure value chain with the IVCF lending book from ZWL18.5 million to ZWL32.1 million. The Bank continue seeking to learn from best practice and sharing this knowledge through production of well researched papers. In that regard, two research papers were produced. In 2019, IDBZ managed to develop a multisector project pipeline, reduce concentration risk, improve projects completion rates, increase decent accommodation and improve livelihoods economy wide, see Table 2.6.

2.2.1 Outputs, Outcomes and Impacts

Table 2.6: Development effectiveness 2019

INPUTS/ ACTIVITIES	OUTPUTS	OUTCOMES	EXPECTED IMPACT
• Identifying projects	• 23 projects committed to the pipeline	• Improved multi-sector project pipeline	• Reduced risk concentration.
• Preparing and developing	• Approved technical designs for CUT, CUZ, Sumben housing. • Feasibility studies for Osborne mini hydro power station.	• Improve readiness for appraisal.	• Increase in bankable projects.
• Mobilisation of Resources - Project financing instruments - Bank capitalisation - Lines of credit - GCF accreditation - Climate Finance Facility	• ZWL39 million mobilised for projects. • ZWL 2.5 million mobilised towards PPDF. • Rights issue concluded to raise an additional ZWL19 million in capital.	• Increased completion rate on projects implementation. • Increased resources for Bank operations. • Enhancing the Bank's Climate	• Facilitating impact investing and deepening capital market development. • Promoting sustainability through environmental, social and gender mainstreaming.

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INPUTS/ ACTIVITIES	OUTPUTS	OUTCOMES	EXPECTED IMPACT
	• GCF accreditation application submitted and CCF feasibility study commissioned.	• Finance capability.	
• Implementing, monitoring and supervising of projects.	• Completion rate of projects being implemented: - Empungalanga West Housing Project [78%] - Kariba Housing Development Project (Kasese) [54%] - Kariba Housing Development Project (Baobab) [93%] -Bulawayo Students Accommodation Complex [53%]	• Decent accommodation. • Improved access to water, sanitation and electricity. • Improved access to transport and communication.	• Improvement in the standards of living.
• Financing infrastructure value chain projects.	• PSIP projects monitored [certified work worth ZWL1.797 bn]	• Increased implementation rate	• Employment creation. • Effective and efficient utilisation of government funds. • Increased transparency in use of government funds.
	• Loan book size (ZWL32.1million)	• Increased loan book size. • Diversified income streams	• Employment creation. • Foreign currency generation • Import substitution • Capacity utilisation
Knowledge generation and sharing	• 2 research papers	• Increased knowledge • New Bank products.	• Capacity utilisation • Increased innovation • Improved operational efficiency

2.2.2 Sustainability

Environmental sustainability, gender sensitivity and social inclusivity are important ethos in the Bank's operations. The Bank upholds the highest ideals of integrity, humanity and sustainability in all its operations.

In March 2019, Southern Africa experienced Cyclone Idai, one of the worst tropical cyclones on record to affect the region, amplifying the effect of climate change. It is estimated that, in Zimbabwe, more than 2,250 houses were washed away or damaged, leaving more than 4,000 people displaced, (Oxfam, 2019). In addition, infrastructure such as roads, bridges, schools and clinics were destroyed.

In response to this disaster, the Bank allocated a grant of ZWL2.5 million towards the reconstruction of damaged infrastructure in Chimanimani, Chipinge, Bikita and Zaka Districts. The Bank rehabilitated infrastructure at ten (10) schools, five in Manicaland Province and another five in Masvingo Province. The work undertaken by the Bank is summarised in Table 2.7.

Table 2.7: Work undertaken in Manicaland Province

Item	School	Expected Outputs
1	Thornton Primary	• Construction and rehabilitation of learning facilities and staff houses • Restoration of school's bulk water supply, reservoir and water reticulation system • Rehabilitation of laundry and toilet block • Construction of 2 by 6 squat hole toilets • Rehabilitation of the 1km access road
2	Chimanimani Secondary	• Construction of a new semi-detached teachers house
3	Brightside Primary	• Construction of a new 1 by 2 Classroom Block
4	Kwirire Primary	• Rehabilitation and modernising of a 1 by 3 classroom block.
5	Ndima Secondary	• Construction of a new semi-detached teachers house
6	Ngaone Secondary	• Donated material.

In Masvingo Province, works involved the construction of 2 by 5 squat hole toilets at the following primary schools; Vushe, Mandiki, Fambidzanai, Mutsinzwa and Veza.

IDBZ remains committed to ensuring Zimbabwean citizens have access to sustainable infrastructure, throughout its mandate. The Bank demonstrates its commitment to sustainable development through responsible business practices, policy advocacy and corporate social investments.

CHAPTER 3: ORGANISATIONAL EFFECTIVENESS

CHAPTER 3: ORGANISATIONAL EFFECTIVENESS

3.1 Operational Efficiency

The Bank consolidated and updated its Policies, Operations Guidelines and Manuals (POGM) and developed a Delegation of Authority Matrix (DAM). The POGM brings operational consistency and enhances governance structures. The development of POGM was a highly consultative process that involved all levels in the Bank. Going forward, the POGM and DAM will be reviewed periodically to ensure that they remain relevant and dynamic in response to changes within the operating environment.

The Bank's ICT environment was stable during the period with no major incidents being reported. To comply with changes in the regulatory framework; introduction of the mono currency, Intermediate Money Transfer Tax (IMTT), and Central Bank directives on interest rates regime, the Bank implemented the mandatory changes to its core banking system. The Bank also complied with the ICT requirements of the International Financial Reporting Standards (IFRS) 9.

In line with its policies, the Bank successfully undertook a full disaster recovery test in which all Staff participated. Security remains a priority in managing ICT assets, hence, obsolete network infrastructure equipment was replaced, and security awareness workshops were conducted to educate Staff. Foreign currency shortages have constrained payment of software license fees and procurement of hardware.

3.2 Knowledge Generation and Sharing

The Bank completed two studies in 2019. The first one was *"Opportunities for Blending Public and Private Sector Resources for Infrastructure Funding in Zimbabwe: Policy Options".* The overall objective of the study was to add to the body of knowledge and provide input into formulation of strategies towards the mobilisation of both public and private resources to finance infrastructure development in Zimbabwe. Infrastructure financing can be enhanced through crowding in institutional investors, however, there is need for policy makers to put in place comprehensive and effective legal systems, adequate protection of property and creditor rights and a reliable justice system for effective participation of the private sector in infrastructure development. Public procurement systems should be more effective and efficient in facilitating infrastructure development.

The second study was *"Analysis of factors that affect bankability of infrastructure projects in Zimbabwe with special reference to the energy sector."* The study confirmed the long-held view that Zimbabwe has a limited pipeline of bankable projects, one of the major causes of the infrastructure deficit. For instance, in 2017, Zimbabwe Energy Regulatory Authority (ZERA) licensed renewable energy projects with a capacity to generate about 2,300MW of electricity. Of these, projects with a capacity to generate 285.8 MW and 833.3MW were at pre-feasibility and feasibility stage respectively, while those with a capacity to generate 1,227.40 MW had complete feasibility studies. Once these projects fulfil all bankability conditions, appropriate funding can be mobilised resulting in the satisfaction of the power deficit leaving the country with surplus power for export.

3.3 Environment and Climate Change

3.3.1 Climate Finance

Climate change remains one of the greatest challenges confronting the world with its impacts evidenced by loss of life and property due to cyclones, floods, droughts and heat waves among other climate extremes. In 2017, The IDBZ was nominated by the Government of Zimbabwe as the National Implementing Entity (NIE), that is a national institution responsible for coordinating national efforts to package green projects and accessing climate financing from the Green Climate Fund (GCF) once the Bank is accredited with the Fund. The Bank has therefore embarked on a long but rewarding journey towards accreditation with the GCF, and is currently undergoing Stage 1 (Institutional Assessment and Completeness Check) of the review process, which will be followed by a detailed Technical Review of the accreditation application (i.e. Stage 2). The Bank is therefore still in the early stages of the accreditation process.

Given the scale of funding required to implement the country's Nationally Determined Contributions (NDCs), the Bank is exploring other innovative funding mechanisms in order to promote access to climate finance and broaden funding sources in support of adaptation and mitigation projects. While the GCF window is expected to unlock funding towards the preparation and implementation of green and climate resilient infrastructure projects, the Bank is also working towards establishing a dedicated Climate Finance Facility (CFF). The CFF will be a platform for mobilising resources from various sources for use in financing all qualifying climate friendly investments.

To build the business case for the CFF, a consultant was engaged to develop the legal and governance structure, capitalization options, operational framework and nature of funding instruments to be deployed by the Facility, a feasibility study on the CFF was commenced in 2019 with support from Ministry of Environment, Climate, Tourism and Hospitality Industry, UNDP and the World Bank. The study will be completed in Q2 2020 and will guide the next phase in the development of the facility.

3.3.2 Environmental and Social Sustainability

The Bank is alive to issues of environmental and social sustainability as they apply to development finance and impact investment. In this regard, the Bank has deepened its capacity to mainstream environmental, social and gender safeguards in Bank supported projects at different stages of preparation, development and implementation. The Corporate Governance, Ethics and Sustainability Committee of the Board is responsible for championing the Bank's focus on sustainability issues.

To further entrench sustainability in all its operations, the Bank, with the support from the World Bank, conducted a training workshop for its Staff on the Environmental and Social Sustainability Management Manual which was developed in 2018 and is now being fully implemented. To this end, all Bank supported projects are being subjected to rigorous Environmental and Social Impact Assessment (ESIA) processes prior to implementation. This has enabled the Bank to identify negative environmental and social impacts at an early stage in the project development cycle and ensure the preparation of appropriate frameworks and plans to avoid or mitigate negative impacts in line with best practice.

The Bank is participating in the European Organisation for Sustainable Development (EOSD) Sustainability Standards and Certification Initiatives (SSCI). This will strengthen the Bank's capacity to deal with sustainability issues. The Standards provide a holistic approach in embedding sustainability across the operations of the Bank. Certification to these Standards will therefore ensure that the Bank's strategies and activities are aligned with global SDGs and the national development agenda.

3.4 Gender Mainstreaming

The Bank continued to create an environment that allows for gender equity and equality in order to promote inclusive socio-economic development. This is a key imperative given that gender relations and inequalities are fundamental causes of poverty and social injustice and compromise women's impact in the workspace. The Bank has a Gender Policy which provides the framework for mainstreaming gender in the Bank`s systems, operations and structures. Strategies being employed by the Bank in the implementation of the Policy include:

i. the infusion of gender analysis throughout the project cycle;
ii. prioritisation of investment projects that maximize benefits to vulnerable people including women and the girl child;
iii. capacity building and knowledge sharing programmes for staff; and
iv. the establishment of a congenial work environment within the Bank which enables women and men to work together in an equitable, effective and mutually respectful manner.

In 2019, the Bank held gender sensitisation and capacity building workshops to contribute to the effective implementation of the Gender Policy.

In line with the requirements of the Bank`s Environmental and Social Sustainability Management System (ESSMS), gender sensitisation of contractors was also done on several Bank projects and PSIP projects. The Bank views stakeholder engagement as an important process in promoting gender equity and equality, with views from Local Authorities and project beneficiaries, including women and youths, being documented as lessons learnt.

A gender audit of the Bank's systems, structures and operations, was commissioned in 2019, with support from Hivos of the Netherlands. The audit will aid in the development of a Bank-wide Gender Strategy and Action Plan.

3.5 Procurement

IDBZ is a Category "A" Procuring Entity with a fully established Procurement Management Unit in line with section 15 of the Public Procurement and Disposal of Assets Act [Chapter 22:23] (PPDPA Act). In 2019, a total of ZWL10.7 million was spent on procurement activities relating to purchase orders and running contracts. Table 3.1 shows the disbursements by category;

Table 3.1 Disbursements by procurement requirement.

Procurement Requirement	School
Works	2,414,129.16
Goods	7,290,725.41
Non-Consulting Services	816,950.56
Consulting Services	170,322.39
Total	10,692,127.53

All procurement activities in 2019 were in compliance with Procurement Regulatory Authority of Zimbabwe (PRAZ) regulations.

During the year, state owned enterprises faced challenges in navigating through some of the legal provisions and requirements of the PPDPA Act. Due to changes in procurement regulations in November 2018, the Bank had to cancel in February 2019 the following procurement processes that had started prior to the introduction of the new regulations:

i. Supply and Implementation of Core Banking System;
ii. Engineering Designs and Environmental & Social Impact Assessment (ESIA) of Academic and Medical Staff Accommodation Facilities at Killarney, Bulawayo;
iii. Engineering Designs and ESIA of Academic and Medical Staff Accommodation Facilities in Zvishavane;
iv. Engineering Designs and ESIA for Accommodation Facilities in Borrowdale, Harare;
v. Engineering Designs and ESIA for Accommodation Facilities at Lupane Business Centre;
vi. Supply and Implementation of an ERP System;
vii. Feasibility Study and detailed ESIA for Chiredzi Town Council Water-Sewer (Chiredzi);
viii. Feasibility Study and detailed ESIA for Odzani Mini-Hydro Power Project (Odzani);
ix. Feasibility Study and detailed ESIA for Rufaro Solar Project;
x. Engagement of Property and Real Estate Management Firm;
xi. Design and Construction Supervision of the Gwanda Spitzkop and Delfontein Housing Project;
xii. Preparation of Project Completion Report for Clipsham Views Housing Project in Masvingo;
xiii. Preparation of a Project Completion Report for the ZETDC's Prepaid Metering Project;
xiv. Preparation of Project Completion Report for New Marimba Phase 1 Housing Project; and
xv. Design and Construction Supervision of Plumtree Housing Project.

All the above 2018 procurement processes had to be re-launched in 2019, therefore exerting pressure on the 2019 procurement plan and delaying implementation of projects. Projects implementation progress also stalled due to protracted negotiations between the Bank and contractors and/or suppliers as a result of changes in the currency environment and the attendant cost escalations.

3.6 Human Resources Management

In 2019, the Bank continued its transformational journey that entailed; the reconfiguring of its structure, recruitment of critical skills, professionalisation and other human capital reforms. In a bid to improve staff well-being, the Bank implemented a number of Corporate Wellness Programmes and other health awareness campaigns in line with Bank policy.

Reconfiguring Bank Structure: In an endeavour to support institutional efficiency, the Bank reconfigured the Infrastructure Projects Department and established a Regional Office in Masvingo in September 2019. The office was set up in line with the National Devolution Agenda and to promote Bank engagements in infrastructure development with critical stakeholders in Masvingo and Manicaland Provinces.

Recruitment of Critical Skills: The Bank strengthened its critical skills in engineering, financial analysis and procurement among others. In 2019, a total of twenty-one (21) regular staff and twelve (12) interns were recruited. Since the start of the MTS period, the Bank`s staff complement increased from ninety-six (96) recorded in 2016 to one hundred and twenty-three (123) recorded in 2019. The Bank is now working on developing a comprehensive reward structure that recognises and rewards good performance.

Performance Management: The Bank has a Performance Management System (PMS) that instils a performance driven culture. The PMS is being enhanced to align performance to rewards.

Professionalising the Bank: In order to support efficient business delivery and enhance its capacity, the Bank actively capacitated its staff through training and workshops. However, foreign currency challenges limited Bank staff involvement in international training programmes in 2019.

Human Capital Reforms (Retooling Exercise): The Bank implemented a retooling and retrenchment exercise as part of its human capital reforms. This culminated in the Bank separating with fourteen (14) regular staff members whose skills and qualifications were not in line with Bank's new strategic thrust. Looking ahead, the Bank now has staff with the requisite qualifications, experiences and competences to effectively deliver on the IDBZ mandate.

Corporate Wellness: The Bank recognises the importance of providing a healthy and safe working environment for all employees.

It is committed to ensuring that employees are made aware of, and are trained, on health and safety issues at all times.

In 2019, the Bank undertook a "Workplace Weight loss Challenge - biggest loser competition" in an endeavour to encourage staff to maintain a healthy lifestyle. The Bank encouraged and supported staff to participate in two half day marathon events. The Bank also engaged First Mutual Life Medical Services to conduct a Diabetes and Hypertension Support Program for all staff. The programme included a presentation on Diabetes and Hypertension as well as complimentary Dental and Eye Screening sessions.

Industrial Relations: The Bank enjoyed a good industrial relations climate during the period under review.

Gender Equity: In 2019, the Bank was on course towards achieving its gender parity targets. The share of female staff in the Bank increased to 36% from 32% recorded in the previous year, 2018. In addition, the Bank also successfully developed and implemented a Gender Policy. As at December 2019, the distribution of staff by Gender and employee category is shown in Table 3.2.

Table 3.2: Gender Distribution by Category

Year	Female ML	Male ML	Female PL	Male PL	Female CS	Male CS	Total
2018	2	26	22	44	13	10	117
2019	3	26	30	46	11	7	123

NB: ML refers to managerial level, PL to professional level and CS to corporate support

Looking ahead, the Bank will continue to ensure that there are adequate skills in all functional areas, and a greater focus will be placed on developing skills in climate financing, environment, gender and leadership. There are also plans to strengthen the human resources management system in 2020. The organisational structure will be redesigned in line with best practice and other development finance institutions. Cost containment measures will be pursued to ensure financial sustainability.

3.7 Stakeholder Management

Stakeholder relations are critical for the sustainable growth of the Bank's business. The Bank seeks to maintain an open, permanent, and transparent dialogue with the various stakeholders and clients. Stakeholder engagement is a business imperative and strong lines of communication are indispensable. Shareholders, investors, communities, clients and employees are the Bank's critical stakeholders.

In 2019, the Bank's stakeholder engagement strategy aimed to ensure maintenance of good working relations, management of social risk and developing solutions to social challenges faced by its stakeholders.

The Bank maintained ongoing dialogue with its varied stakeholders through press releases, meetings, social media platforms and a website designed to share information and receive feedback on its operations. The Bank also participated at the Zimbabwe International Trade Fair (ZITF) to broaden stakeholder engagement. This and other initiatives led to the improvement of the Bank's brand visibility in 2019.

In terms of corporate social investment, the Bank set aside ZWL2.5 million for the reconstruction of education facilities damaged by Cyclone Idai in Chimanimani, Chipinge, Bikita and Zaka Districts, see section 2.2.2.

Engagements, particularly with Government, other Development Finance Institutions, Regulatory Authorities, customers and communities have reassured stakeholders of IDBZ's commitment to good relations.

CHAPTER 4: BOARD FIDUCIARY DUTIES

CHAPTER 4: BOARD FIDUCIARY DUTIES

4.1 Corporate Governance

The Infrastructure Development Bank of Zimbabwe ("IDBZ/the Bank") is a development finance institution charged with a mandate to champion infrastructure development and financing. Its main objectives are to promote economic development and growth and to improve the living standards of Zimbabweans through the development of infrastructure. In pursuit of these objectives, the IDBZ focuses primarily on the key economic development enablers as already mentioned in section 2.1.

In the execution of its mandate, the Bank ensures that all tenets of good corporate governance are embedded in all the business processes. Critical to ensuring that good corporate governance pervades all aspects of the Bank's operations, is the compelling need to comply with legal and regulatory requirements and conformance to international best practice governance standards and guidelines.

Corporate governance in IDBZ is anchored on the principles of fairness, transparency, accountability, financial sustainability, and championing and mainstreaming environmental, social and gender (ESG) governance principles. More critically, the Bank ensures strict compliance with applicable statutes and regulations in all its operations. These governance principles are the foundation upon which the Bank strives to build a profitable, socially responsible, economically viable and environmentally sustainable business that serves the interest of all stakeholders.

4.1.1 Corporate Governance Framework

The IDBZ was established in 2005 as a successor organization to the Zimbabwe Development Bank ("ZDB") and is governed in terms of an Act of Parliament, the Infrastructure Development Bank of Zimbabwe Act [Chapter 24:14] ("the IDBZ Act"). The Bank is regulated by the Minister of Finance and Economic Development. This role is shared with the Reserve Bank of Zimbabwe through the Finance Act Number 3 of 2014 which amended the Banking Act [Chapter 24:20] to bring IDBZ under the supervisory purview of the Apex Bank.

Whilst the IDBZ Act has been the anchor in the institutional governance matrix, a superior governance instrument has since been enacted to which the Bank, as a public entity, is required to comply with. The Public Entities Corporate Governance Act [Chapter 10:33] ("the PECG Act"), which was promulgated in June 2018, supersedes any other enactment on corporate governance. To the extent that there are inconsistencies between the establishing Act and the PECG Act, the latter takes precedence. To underline the importance Government attaches to corporate governance in the public sector, the administration of the PECG Act is vested in the Office of the President and Cabinet (OPC).

The Bank also embraces, to the extent possible, the principles of good corporate governance enshrined in other governance standards both locally and internationally, and in particular recognises the various legal and statutory provisions that state enterprises and parastatals in Zimbabwe are required to abide by as they discharge their mandates. The National Code on Corporate Governance Zimbabwe (ZIMCODE) was given legal status in the PECG Act as the First Schedule.

4.1.2 Code of Conduct and Ethical Framework

In conducting its business, the Bank has a special responsibility to ensure that all operations and activities are conducted on the highest ethical plane. The Bank endeavours to be at the forefront in promoting ethical business practices and processes that meet international best practice. The IDBZ Code of Ethics Policy provides a framework under which Directors, Management and Staff and people who interact with the Bank are expected to conduct themselves. The Code is designed to promote honest and ethical conduct and is founded on the Bank's core values of integrity, professionalism, innovation, service orientation, sustainability and knowledge generation and sharing.

4.1.3 IDBZ Governance Structure

For the effective discharge of its functions and in order to enhance oversight on the various areas of the Group's operations, the Board constituted and appointed five (5) Committees which operate under clearly defined areas of responsibility and terms of reference. These are:

i. Investments Committee
ii. Audit Committee
iii. Finance, Risk Management and ICT Committee
iv. Human Resources Committee
v. Corporate Governance & Ethics Committee

In the discharge of their respective terms of reference, the Board Committees ensure transparency, full reporting and disclosure of key decisions and recommendations of the Committees to the main Board.

4.1.4 Board of Directors

Section 4 (2) of the IDBZ Act, as amended, provides that the size of the IDBZ Board shall be a minimum of 7 and a maximum of 9 Directors. On 24 June 2019 Minister of Finance and Economic Development constituted a new Board of Directors whilst simultaneously dissolving the old Board. Table 4.1 shows a list of the Bank's Board of Directors.

It is noteworthy that of the eight Non-Executive Directors, seven are Independent Non-Executive Directors.

Table 4.1 IDBZ Board Of Directors

Name	Role
Joseph S. Mutizwa	Non-Executive Board Chairman
Thomas Z. Sakala	Chief Executive Officer/Ex-Officio
Sibusisiwe P. Bango	Non-Executive Director
Dr. Kupukile Mlambo	Non-Executive Director
Reginald Mugwara	Non-Executive Director
Dr. Norbert O. Mugwagwa	Non-Executive Director
Jeremiah Mutonga	Non-Executive Director
Tadios Muzoroza	Non-Executive Director
Luke E.M. Ngwerume	Non-Executive Director

4.1.5 Duties and Responsibilities of the Board

The duties and responsibilities of the Board are outlined in section 4A of the IDBZ Act [Chapter 24:14], as read together with section 60 of the PECG Act.

The duties and functions of the Board are codified in the Board Charter, which has been amended to ensure it complies with section 27 of the PECG Act – Principles and contents of board charters and codes of ethics.

The Board is responsible for formulating and implementing policies and strategies for the Bank. It supervises Bank operations and ensures that the institution and its subsidiaries have adequate control systems to monitor and manage risk. Further the Board ensures that there is efficient and economic use of resources.

As an overarching responsibility, section 4A (e) of the IDBZ Act requires that the Board formulates and enforces rules of good corporate governance and ethical practices for observance by the

IDBZ Directors, Management and Staff.

To effectively discharge its oversight and stewardship role, the Board meets regularly, at least once every quarter.

4.1.6 Board Remuneration

The IDBZ Board Remunerations Framework is determined in accordance with Section 12 of the PECG Act. The Bank adopted the board remuneration guideline for State Enterprises provided by the Office of President and Cabinet. The remuneration framework was recommended for adoption for Commercial and Profitable state enterprises, see Table 4.2. The new remuneration framework was implemented with effect from 1 July 2019.

For the period under review, the Non-executive Board Members received remuneration based on a retainer and sitting allowance. No other benefits were extended to Board Members. The total amount paid in board fees for the period under review was ZWL297,000.

Table 4.2: Board Remuneration framework

Category/Designation	Quarterly Retainer (ZWL)	Sitting Fees (Board) (ZWL)	Sitting Fees (Committee) (ZWL)
Board Chairman	15 000	2 500	-
Deputy Board Chairman	12 000	2 000	-
Board Member	10 500	1 750	-
Committee Chairman	-	-	1 250
Deputy Committee Chairman	-	-	1 000
Committee Member	-	-	1 000

In terms of the PECG Act, a board member should not be absent, without just cause and without leave of the Board or its Chairperson, from at least three consecutive Board meetings. In 2019, attendance by Directors was satisfactory. None of the board members unduly missed Board meetings.

4.1.6.1 Investment Committee

The Committee is chaired by a Non-Executive Director and comprises all members of the Board and its main functions are to:

- consider and approve applications for financing from the Banks's business units within set approval limits;
- determine the form and value of collateral/security to be taken against loan exposures and consider and approve all investment applications; and
- assess and review from time to time the soundness and appropriateness of the Bank's strategy of growing the loan book and the overall business portfolio.

4.1.6.2 Audit Committee

The Committee is made up of four Non-Executive Directors and is responsible for the integrity of the financial statements by ensuring that they are prepared in compliance with applicable regulations. The Committee also ensures that the system of internal controls in the Bank is effective and adequate for the business of the Bank. In discharging its mandate, the Audit Committee works with the Bank's Internal Audit function.

4.1.6.3 Corporate Governance, Ethics and Sustainability Committee

The Committee superintends over corporate governance, ethics and sustainability frameworks. It ensures fulfilment of Board oversight responsibilities in respect of corporate governance structures, policies and practices, as well as the development, promotion and enforcement of an ethical culture.

The Committee comprises five (5) members, including the Chairperson, all of whom are Non-Executive Directors. The Chairperson of the Committee, together with the Board Chairman and the Board Secretary, are responsible for managing the Board member self-evaluation process and ensuring its integrity and effectiveness as a governance tool.

4.1.6.4 Finance, Risk Management and ICT Committee

The Committee is charged with the responsibility of overseeing the overall risk management processes, enforcing risk mitigation strategies and procedures, and keeping the Board fully appraised on the major risk areas within the Bank's business operations. It comprises five (5) members, including the Chairperson, of which four (4) are Non-Executive Directors. The Chief Executive Officer (CEO) is the only executive member of this Committee.

4.1.6.5 Human Resources Committee

The Committee is chaired by a Non-Executive Director and is made up of five (5) members, inclusive of the Chairman, all of whom, with the exception of the CEO, are Non-Executive Directors. The Committee is charged with ensuring the prevalence and observance of good labour and employment practices to achieve harmonious industrial relations. In this role, the Committee is responsible for ensuring best practice in human resources management.

4.2 Board and Board Committee Attendance Record for 2019

Table 4.3: Board Attendance Record FY 2019

	Main Board	Audit Committee	Finance, Risk Management & ICT	Human Resources	C. G. E. S.
NEW BOARD (JULY-DEC 2019)	5	2	2	3	1
MUTIZWA J.	5	n/a	2	n/a	n/a
MLAMBO K.	4	n/a	2	n/a	1
BANGO S. P.	4	2	n/a	3	n/a
MUGWARA R.	5	2	n/a	3	n/a
MUGWAGWA N.	2	n/a	1	2	n/a
MUTONGA J.	4	2	n/a	n/a	1
MUZOROZA T.	5	n/a	n/a	3	1
NGWERUME L.	4	1	2	n/a	
OLD BOARD (JAN-JUN 2019)	3	2	2	2	2

	Main Board	Audit Committee	Finance, Risk Management & ICT	Human Resources	C. G. E. S.
MHAKAYAKORA J.	2	n/a	n/a	n/a	n/a
KUDENGA N.	2	n/a	n/a	2	2
CHOGA V.	3	2	n/a	n/a	2
TAWHA C.	2	1	2	n/a	2
SANGARWE M.	3	n/a	2	2	2
KUNAKA P.	2	1	2	2	n/a
CHIROMO N.	n/a	2	n/a	n/a	n/a
JINDA E.	n/a	n/a	n/a	1	n/a
TOTAL MEETINGS IN FY2019	8	4	4	5	2

4.3 Risk Management

Risk management is critical, and a key pillar intended to maximise the risk return trade off. The Board has delegated the responsibility of managing all risk exposures to management exposures using an

4.3 Risk Management (Continued)

approved Enterprise Risk Management (ERM), a holistic approach that encompasses a combination of procedures and approaches designed to manage risks.

4.3.1 Risk Management Scope

The Bank is exposed to a wide variety of risks in its conquest towards effectively delivering on the mandate. The risk management scope provides perspective and assists with understanding the nature of the impact of risks on the business. The principal risks which the Bank is exposed to are as follows;

4.3.1.1 Credit Risk

The Bank is exposed to Credit risk mainly in its development financing and lending operations resulting from potential failure by counterparties/clients defaulting on their debt repayments. As the Bank operates in line with its mandate as Development Finance Institution, it is presented with a challenge in attaining a maintainable balance between returns from development projects and minimizing financial loss in other operations (lending & investments). The Bank therefore seeks to take credit risks responsibly to attain appropriate returns whilst delivering on its mandate.

The Bank manages credit risk through a combination of parameters which include policy limits, selection process based on quality rather than quantity and continuous monitoring of exposures to gauge performance. The credit management process is considered robust and includes the following:

i All-encompassing Lending policy and a Policy on Exposure Limits;
ii Credit approval committees based on exposure limits – The Loans investment committee (LIC) comprises of the Executive Management team and the Board investment committee includes members of the Board of Directors;
iii A multi – skilled project appraisal team to consider Infrastructure exposures and related Infrastructure funding structures;
iv An Independent risk assessment process by the RIMU; and
v COPU which is responsible for managing the portfolio from first disbursement until final settlement including NPL recoveries.

The Bank's NPL ratio remains within the RBZ acceptable threshold of 5%.

4.3.1.2 Project Risk

The Bank is fully awake to project risks and aims to minimise financial and operational losses that may result during the implementation of Infrastructure projects. The unstable macro-economic environment continues to present challenges exposing the Bank to increased project completion risk. Infrastructure projects are continuously monitored in loco by technical and multi-disciplinary teams during the entire project life cycle. The Executive Management Committee (EXCO) and the Board receives reports on the status of project implementation

4.3.1.3 Liquidity Risk

Liquidity risk refers to the risk of failure to meet obligations as they fall due without incurring extra costs. In line with the Bank's operations, liquidity risk arises from failure to honour financial commitments to lenders, investors and operational expenses. The Management Asset and Liability Committee (MALCO) provides oversight and guidance on matters relating to liquidity risk. Treasury has the mandate to monitor the daily funding liquidity positions. The Bank's strategy on management of liquidity risk is centred on having a wide array of funding sources to complement the core deposit base and reduce concentration risk.

The Bank's sources of liquidity risk include;

i Sudden withdrawals of huge deposits or a recall without due notice of project funds managed by the Bank,
ii Inability to roll and or access new funding,
iii Inability to collect what is contractual due to the Bank,
iv Deposit concentrations, and
v Business expenditure risk due to hyperinflation.

4.3.1.4 Operational Risk

The Bank quantifies, tracks and reports operational risk issues through risk registers from the CURA operational risk management system. The Bank also monitors operational risk and enhances operational efficiencies by synchronising of Bank policies through and formal cascading of same to all employees. To enhance the operational risk environment the Bank launched and cascaded to all units and departments Policy Guideline Manual (POGM).

4.3.1.5 Market Risk

Market risk refers to the risk of loss of value of the Bank's earnings and capital arising from adverse movements in the level and volatility of market rates or prices such as interest rates and foreign exchange rates. The objective is to contain the level of interest rate and foreign currency risk within acceptable limits.

Market Risk is managed through Management Asset and Liability Committee (MALCO) whose responsibility includes policy formulation, revision, strategic management and administration. The ultimate responsibility for effective asset and liability management lies with the Board.

i Interest rate risk (IRR) – refers to the vulnerability of the Bank's financial position to adverse movements in market interest rates. Movements in the market interest rates impact on the cash flows and income stream of the Bank through their net effect on interest rate sensitive assets and liabilities. Changes in interest rates impact on the Bank's capital through their net effect on the market value of assets and liabilities. The IRR is monitored through instruments such as re-pricing gap to monitor the effects of changes in market rates on interest sensitive assets and liabilities.
ii Foreign Exchange risk – The Bank does not maintain open position in foreign currency hence limits the nature of the exposure. The major foreign currency obligations that the Bank incurs are foreign operational and administrative expenses. As such the bank's exposure is limited to local currency depreciation.

4.3.1.6 Strategy Risk

Strategic risk is the risk that unforeseen threats may render the Bank's strategy ineffective, or that events or circumstances may occur which could hinder the ability of the Bank to implement its strategy successfully.

The Board is responsible for the approval and application of the Bank's strategic risk principles. The Board approves the Bank's strategy and work programme and budget, whilst management is responsible for implementation and ensuring that regular reviews are done in line with changes in operating conditions. The Board meets on a quarterly basis and tracks the institution's effectiveness in implementing its approved work programme and budget.

4.3.1.7 Reputational Risk

The Bank manages and monitors reputational risk through a multi-pronged approach, including the use of the complaints managed framework which is also linked to the Bank's website. The Bank adheres to the principles of professionalism, integrity, service orientation and innovation in order to positively affect the community at large. The Bank has moved to enhance the management of reputational risk through the planned implementation of a Grievance Redress Policy.

4.3.1.8 Legal & Compliance Risk

Compliance risk is the risk (among other things) that regulatory

4.3 Risk Management (Continued)

requirements which are applicable to the Bank are not complied with. Failure to comply with legal and regulatory requirements which are applicable to the Bank, including procurement laws and regulations, tax laws and regulations, environmental regulations or Government policies, may have an adverse effect on the Bank and its reputation among customers, investors/financiers and regulators.

The Bank manages the risks through a dedicated Legal Advisory Services Unit which, together with the Risk Management and Compliance Unit, identifies, assesses, and monitors the institution's exposure to legal and compliance risk in its business activities, products, processes, systems and practices. The Bank has also invested in a sanctions and name screening software to enhance the customer due diligence (CDD) on the Money Laundering and Financing of Terrorism front.

4.3.2 External Credit Rating

The Bank was rated under the Prudential Standards, Guidelines and Rating System (PSGRS). The framework falls under the purview of Association of African Development Finance Institutions (AADFI) and requires Independent validation of the rating by an Eternal auditor. The Bank's 2019 rating for the financial year ended 31 December 2018 was assigned a grade of "A+" and was validated by the Bank's External auditors – Baker Tilly. The rating scale evaluates three critical areas: Governance, Financial and Operational standards. The risk assessment ratings are summarised below.

Table 4.4: IDBZ PSGRS Rating 2017 -2019

PSGRS Standard	Weighted Score per Standard	Deloitte & Touché Validated Rating (2017)	Deloitte & Touché Validated Rating (2018)	Baker Tilly Validated Rating (2019)
Governance	40%	41.4%	36.4%	42.6%
Financial	40%	21.9%	27.3%	27.8%
Operational	20%	17.2%	18.7%	17.2%
Overall Score		80.5%	82.4%	87.6%
PSGRS		A	A	A+

4.4 Directors' Report

4.4.1 Business of the Infrastructure Development Bank of Zimbabwe

The Bank is a national Development Finance Institution (DFI) with a mandate for infrastructure development and financing in Zimbabwe. The Bank plays a critical role in mobilising financial resources and providing a technical lead in project preparation and packaging, contract negotiations, and project implementation monitoring.

The Bank's primary focus sectors are: Water and Sanitation (dam construction, water pipelines, water treatment plants, and municipal water and sewer projects), Housing (on-site and off-site infrastructure, university and tertiary institutions accommodation, etc), Irrigation Infrastructure; Transport (roads, airports, railways, border posts and inland ports); and Energy (power plants, transmission and distribution grid networks, etc). Secondary areas of focus include education facilities, health facilities and tourism infrastructure, with ICT as a cross-cutting issue.

4.4.2 General Policy Directions of the Minister

In terms of Section 9A (1) of the IDBZ Act, the Minister of Finance and Economic Development may give policy directions to the Board and the Board shall take all necessary steps to comply with every such direction.

Section 9A (3) of the IDBZ Act requires the Board to set out in its annual report, the terms of every direction given to it in terms of this provision by the Minister and any views or comments the Board expressed on such direction.

During the year under review, the Minister mandated the Bank to coordinate the issuance of infrastructure bonds to be known as Vaka/Yakha Zimbabwe Infrastructure Bond. The Board embraced this directive and work on the bond issuance is currently in progress.

4.4.3 Authorized and Issued Share Capital

4.4.3.1 Ordinary Share Capital

The authorized share capital of the Bank remained at ZWL1,500,000 comprised of 150,000, 000 ordinary shares at a nominal value of ZWL0.01 (one cent) per share, whilst the number of shares in issue increased from 6,528,214 ordinary shares in 2018 to 18,784,835 ordinary shares as at 31 December 2019. The increase was as a result of a Rights Issue conducted during the year wherein a total of ZWL152,104,691 was raised.

4.4.3.2 Preference Share Capital

The Preference Shares remained unchanged at 382,830 with a nominal value of ZWL100.00 per share. The non-cumulative, non-redeemable preference shares were issued to Government of Zimbabwe and carry a 5% dividend payable out of distributable profits.

4.4.4 Investments

As at the year end, the IDBZ had the following sizeable investments:

Subsidiaries

Waneka Properties (Private) Limited	- 70%
Manellie Investments (Private) Limited	- 100%
Norton Medical Investments (Private) Limited	- 60%
Samukhele (Private) Limited	- 100%
Mazvel Investments (Private) Limited	- 51%
Changamire Inkosi Investments (Private) Limited	- 60%

Associates

Mosi Oa Tunya Development Company (Private) Limited - 20.60%

Special purpose entities

Kariba Kasese Housing Project	90%
Hwange Empumalanga Housing Project	90%
Clipsham Views Housing Project	83.3%

Financial assets

Norsad Finance Limited	4.55%
Chengetedzai Depository Company Limited	13.25%
Zimbabwe Insurance Brokers Limited	1%
Zimcampus Properties (Private) Limited	11.09%

4.4.5 Financial Results for the year

The results for the year are fully dealt with in the financial statements forming part of the Annual Report.

4.4.6 Dividends

The Directors do not recommend a dividend for the year ended 31 December 2019 due to the loss recorded. It is also noteworthy that the bulk of the loss has arisen from asset/ property revaluation.

4.4.7 Compliance with the Public Entities Corporate Governance Act [Chapter 10:33]

The Public Entities Corporate Governance Act [Chapter 10:31] ("the PECG Act") became law in June 2018. The new governance framework per the PECG Act supersedes all other enactments, including establishing legislation for all state enterprises and parastatals, on matters of corporate governance. The Bank is committed to complying fully with all provisions of the PECG Act and has established a reporting mechanism to monitor and track compliance with the new Act. As at 31 December 2019, the Bank had

4.4 Directors' Report (Continued)

an internal compliance rating of 90%.

4.4.8 Going concern
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) applicable to development finance institutions using appropriate accounting policies, supported by reasonable and prudent judgments and estimates.

With a capital base of ZW$963.5 million as at 31 December 2019, and taking into account the Bank's future business prospects presented by the IDBZ's mandate, the Directors have a reasonable expectation that the Bank has adequate resources to continue as a going concern in the foreseeable future.

4.4.9 Directorate
On 24 June 2019, the Minister appointed a new 8-member Board for the Infrastructure Development Bank of Zimbabwe for a three (3) year term of office. See section 4.1.5 for the new Board Members.

4.4.9.1 Directors' interest in the Bank
During the year, no Director held either directly or indirectly any interest in the share capital of the Infrastructure Development Bank of Zimbabwe.

4.4.9.2 Declaration of Assets
In line with provisions of the PECG Act, all Directors of the Bank declared their assets to the Minister of Finance & Economic Development. All Board Members submitted their asset declarations to the Bank. These are available for inspection in the Bank Secretary's Office.

4.4.9.3 Directors' Emoluments
Directors' emoluments are disclosed in the Corporate Governance Statement as well as in the notes to the financial statements.

4.4.9.4 Interest of Directors and Officers
One Director declared his interest in one of the housing projects that the Bank is undertaking in Masvingo in a Joint Venture with a private promoter. The declaration was made to the Minister before confirmation of the Directors' appointment to the Board of IDBZ. The declaration of interest disclosure was accordingly recorded by the Bank and is on file.

4.4.10 Auditors
Shareholders will be asked to ratify the remuneration of the Auditors for the year ended 31 December 2019, and to confirm Baker Tiller Chartered Accountants as Auditors of the Bank for financial year 2020.

The Directors' Report is made in accordance with a Resolution of the Board.

J.S. Mutizwa
Board Chairman

T. Zondo Sakala
Chief Executive Officer

4.5 Directors' Responsibility Statement
Financial statements for Infrastructure Development Bank of Zimbabwe

The directors are responsible for the preparation and integrity of the financial statements and other information contained in this Annual Report.

To enable the directors to meet these responsibilities, systems of accounting and internal controls are maintained that are aimed at providing reasonable assurance that assets are safeguarded and that the risk of error, fraud or loss is controlled in a cost-effective manner. The Bank's Internal Audit function, which has unrestricted access to the Audit Committee, regularly evaluates these systems and makes recommendations for improvements where necessary.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), International Financial Reporting Interpretation Committee ("IFRIC") interpretations and in the manner required by the Infrastructure Development Bank of Zimbabwe Act [Chapter 24:14] , the Banking Act [Chapter 24:20] and the Companies Act [Chapter 24:03] except for the issues indicated on the basis for the Qualified Opinion paragraph on the Auditors report . The directors are of the opinion that the financial statements fairly present the results of operations for the year and the financial position of the company as at the year end.

The financial statements have been prepared on a going concern basis and the Board has assessed and believe that based on the available information and cash resources, it is appropriate to do so. The responsibility of the independent auditors is to report on the financial statements. Their report to the members is set out on pages 34 to 37 of this report.

The financial statements were approved by the Board of Directors on 26th of March 2020 and are signed on its behalf by the Chairman and Chief Executive Officer.

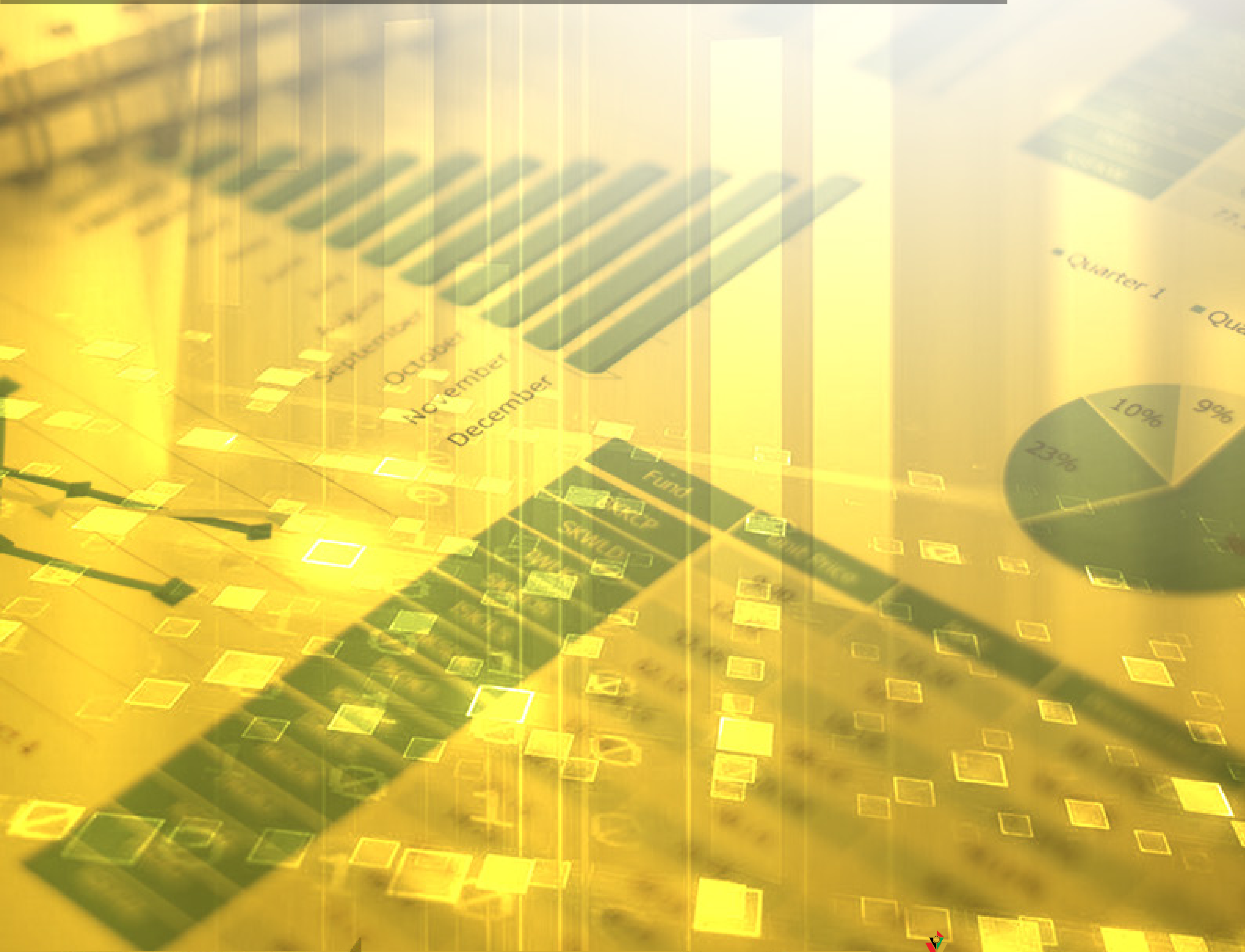
Preparer of the Financial Statements
These financial statements were prepared under the supervision of C Gambinga and have been audited in terms of the Infrastructure Development of Zimbabwe Act (Chapter 24:14).

C. Gambinga
Director-Finance

J.S. Mutizwa
Board Chairman

T. Zondo Sakala
Chief Executive Officer

CHAPTER 5: FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Infrastructure Development Bank of Zimbabwe ("IDBZ")

Report on the Audit of the Inflation Adjusted Consolidated Financial Statements

Qualified Opinion

We have audited the inflation adjusted consolidated financial statements of Infrastructure Development Bank of Zimbabwe ("IDBZ") or the ("Bank") and its subsidiaries set out on pages 39 to 100, which comprise the inflation adjusted consolidated statement of financial position as at 31 December 2019, the inflation adjusted consolidated statement of profit or loss and other comprehensive income, inflation adjusted consolidated statement of changes in equity, inflation adjusted consolidated statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes to the consolidated financial statements.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying inflation adjusted consolidated financial statements give a true and fair view of the statement of financial position of IDBZ as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Qualified Opinion

As described in Note 2.1, IDBZ used United States Dollars (USD) as its functional currency from the 1st of January 2019 to the 22nd of February 2019. As further indicated on Note 2.32, IDBZ changed its functional currency and presentation currency to Zimbabwean dollar ("ZWL") on 22 February 2019 following the promulgation of Statutory Instrument 33 of 2019 ("SI 33/19"). All foreign denominated balances including Nostro bank accounts and non-monetary items except prepayments, were translated to ZWL on 22 February 2019, using an exchange rate of 1USD:2.5ZWL which was the exchange rate on the date of change in functional currency. All monetary assets and liabilities were translated at an exchange rate of 1USD:1ZWL in order to achieve faithful representation. The translation treatment of local monetary items and prepayments is not compliant with IAS 21 "The Effects of Changes in Foreign Currency Rates", which requires all balances to be translated at exchange rate available on the date of change of functional currency which in this case was 2.5.

Recognition of Foreign Currency Translation Reserve ("FCTR")

The directors translated prepayments, local monetary assets and liabilities excluding Nostro denominated bank balances and foreign currency held, on the date of change in functional currency, from USD to ZWL using the exchange rate of 1USD:1ZWL contrary to the requirements of IAS 21 that prescribe that one rate, on the date of change in functional currency, be applied to all items. Directors applied this rate to achieve faithful representation and to ensure prepayments, monetary assets and liabilities are not overstated. This resulted in the recognition of a material "FCTR" in equity amounting to ZWL 363,612,060, contrary to requirements of IAS 21. The inapplicability of IAS 21 on the translation of local monetary items and prepayments was a result of the promulgation of SI 33/19 which prescribed a rate of 1USD:1ZWL.

Hyperinflation Reporting

Although restatement was correctly done in terms of IAS 29 "Reporting in Hyperinflationary Economies", from 1 January 2019 to 31 December 2019, the effective date of application of IAS 29 is not consistent with the effective date of change in functional currency of 22 February adopted by IDBZ.

We conducted our audit in accordance with International Standards on Auditing (ISAs), Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of financial statements section of our report. We are independent of the Bank in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independent requirements applicable to performing audits of financial statements in Zimbabwe. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the inflation adjusted consolidated financial statements of the current year. Key audit matters are selected from the matters communicated with those charged with governance, but are not intended to represent all matters that were discussed with them. In addition to the matter described in the Basis for Qualified Opinion section of our report, we have determined the matters described below to be the key audit matters. These matters were addressed in the context of our audit of the financial statements as a whole. Our opinion on the inflation adjusted consolidated financial statements is not modified with respect to any of the key audit matters described below, and we do not provide a separate opinion on these matters.

#	Key Audit Matter	How our audit addressed the key audit matter
1.	**- Revenue Recognition (Interest Income)**	
	The Banks various interest income streams are characterized by high volumes of transactional data. The revenue process is highly automated, complex in nature and dynamic thus requiring numerous information technology related checks and balances. Thus, revenue was an area of significance in the current year audit due to the following; • Interest income is a significant component of the Groups financial statements. • The completeness and accuracy of interest income is a key audit focus area due to interest computations which are highly automated; • Involvement of IT specialists in the recalculations of the automated revenue systems. As a result of these amounts, the timing of revenue recognition and volume of transactional data involved, this was considered to be a key audit matter. The revenue recognition policy is disclosed in Significant Accounting Policies section 2.26, to the inflation adjusted consolidated financial statements of the Bank	In addressing the matter, we; • Performed walk throughs of the interest classes of transactions and evaluated the design and implementation of controls in this area; • Reviewed the contracts with customers on various loan products and related treatments; • Analysed and verified transactional data on a monthly basis; • Engaged our own Data Analytics specialists to independently re-compute the interest using data analytical methods; • Made use of our IT specialists to test key controls over the loan administration systems and the manner in which data is extracted from these systems into the models used to determine revenue recognition. • Performed detailed substantive testing of journal entries processed around interest income to ensure these were appropriately authorised, complete and accurate • Performed an assessment of the appropriateness of the Revenue recognition criteria used by management as per IFRS requirements. • Confirmed that the related interest enhancing mechanisms, such as loan arrangement fees and establishment fees, were appropriately recognised over the tenure of the facility from which they arose. We found the recognition of interest income to be appropriate.

#	Key Audit Matter	How our audit addressed the key audit matter
2.	**Valuation and existence of financial assets (Treasury Bills)**	
	The Bank through its Banking Operation carries a material portion of Treasury Bills on its statement of financial position. • There is inherent complexity in accounting and disclosure requirements of financial assets per IFRS guidance. • The significance of these financial assets on the Bank's statement of financial position is high. • The measurement of these Treasury Bills is subjective due to the absence of an active market for trading of Treasury bills which makes fair value determination and comparability subjective. • Due to the complex nature of capitalisation and unwinding of the present value of the treasury bill as time passes towards the maturity value, this has been considered a key audit matter The accounting policy on recognition and measurement of Treasury Bills is disclosed under Significant Accounting Policies section 2.31 of the financial statements.	Our procedures encompassed the following; • Review of Management's recognition and classification criteria relative to the requirements of IFRS and guidance by regulatory bodies. • Review of Management's measurement criteria relative to the requirements of IFRS, particularly on fair value measurement and disclosures. • Recalculated the value of the Treasury Bills in line with management's measurement principle and assessed that the Treasury Bills were appropriately valued. • We assessed whether the coupon rate used by management is in line with that prevailing for similar bills issued on the market. • Confirmed existence with the Central Security Depository (CSD), or with other financial institutions where these instruments were lodged as security for any inter-bank positions • Satisfied ourselves that there were no instances of default, by inspecting the schedule of Treasury Bills maturing during the current year and agreeing these to payment confirmation from the contracting party. • We compared the payment date to the maturity date to ensure that matured Treasury Bills were settled on time • We inspected the schedule of Treasury Bills for any evidence of roll over which could be an indicator of impairment. Based on our procedures, we noted no exceptions and consider managements valuation of existing Treasury Bills to be appropriate.

#	Key Audit Matter	How our audit addressed the key audit matter
3	**Hyperinflation Accounting (High risk area and significant judgement)**	
	For the financial year ended 31 December 2019, following Public Accountants and Auditors Board ("PAAB") designation of Zimbabwe as hyperinflationary economy, management also evaluated and determined the economy of Zimbabwe to be hyperinflationary. For the purposes of IDBZ consolidated accounts, the Bank applied the requirements of IAS 29 – Financial reporting in Hyperinflationary Economies. Hyperinflationary accounting was determined to be a matter of most significance to the audit due to high risk and the significance of the balances and transactions, and the complexity and subjectivity relating to the application of the Standard. IAS 29 requires significant judgments to be made by management considering the guidelines provided in the standard. The Bank's accounting policy on hyperinflation accounting is disclosed on Significant Accounting Policies section 2.1. The fact that this is first time adoption of the Standard makes this a high risk area, the accounting is prone to errors in calculations and application of the Standard.	We obtained an understanding of the Bank's process for identifying hyperinflationary economies and evaluated the policy in relation to hyperinflation accounting. Our audit procedures included, among others: • We assessed and tested the indicators of hyperinflation on the Zimbabwean economy by corroborating these with industry report and our own understanding of the economy; • We recomputed and tested the hyperinflation workings prepared by management by evaluating the rationale for the economic indicators included (such as the inflation rate, cumulative inflation rate, consumer price indices from various sources). • We tested the source data used by agreeing it to supporting schedules. • We assessed the reasonability of the assumptions used by comparing these to externally available industry, financial and economic data; and; • We tested restatement of the statement of financial position and income statement items for correct restatement in terms of IAS 29. • We assessed whether disclosures in the financial statements appropriately reflected the effects of the adoption of IAS 29. We found that the inflation adjusted consolidated financial statements have been properly restated in terms of IAS 29 except for issues raised in the Basis for Qualified Opinion above.

#	Key Audit Matter	How our audit addressed the key audit matter
4	**Adoption of IFRS 16-Leases**	
	Management's review of IFRS 16 – Leases concluded that the Bank was required to apply this standard initially on the effective date (1 January 2019). This new standard required the Bank to revise its accounting processes and internal controls related to identification, treatment and measurement of leases. This standard replaced the previous standard on Leases-IAS 17 and related interpretations. IFRS 16 requires the Bank to do the following among other requirements: • Recognise right of use of assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments; • Recognise depreciation of the right of use of the assets and interest on lease liabilities in the consolidated financial statement of profit and loss; • Separate total amount of cash paid into a principal portion (presented within the financing activities) and interest (presented within operating activities) in the consolidated cash flow statement. This is a significant area which impacts the financial and operating reporting across the Bank and has been noted as a key audit matter.	Our procedures were focused on assessing the accurate interpretation and implementation of the new standards' guidelines by management together with the correct migration from IAS 17 to IFRS 16 on financial reporting as such this has been addressed by performing the following procedures: • Discussions were held with management to understand their interpretation, the revised processes, related controls and control activities based on the new impairment framework as well as the detailed implementation plan; • Evaluated the design and implementation of controls in this area; • To confirm whether application of this standard was based on full retrospective or modified retrospective and reasons thereof; • Re-computing the right o use of assets and depreciation to confirm compliance with IFRS 16. • Inspect consolidated cash flow statement for adequate presentation and disclosure of principal and interest components. • Assessed and challenged the appropriateness of management's key assumptions used in determining the identification and measurement of leases. • Assessed the treatment of lease incentives, short term lease and leases of low value for compliance with IFRS 16 Based on the procedures performed above, the implementation of new standards and interpretations effective during the current financial year has not resulted in material misstatement on the inflation adjusted consolidated financial statements.

Other Information
The directors are responsible for the other information. The other information comprises the Directors Report Chairman's Report, Chief Executive Officer's Report and the Corporate Governance Report. Other information does not include the inflation adjusted consolidated financial statements and our auditor's report thereon.

Our opinion on the inflation adjusted consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the inflation adjusted consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the inflation adjusted consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement on this other information, we are required to report that fact. We have nothing to report in this regard.

Auditor's Responsibilities for the Audit of the Financial Statements
The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the inflation adjusted consolidated financial statements, including the disclosures, and whether the inflation adjusted consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the inflation adjusted consolidated financial statements.

We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for the audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be brought to bear on our independence, and where applicable related safeguards.

From the matters communicated with the Directors, we determine those matters that were significant in the audit of the inflation adjusted consolidated and separate financial statements of the current period and therefore the key audit matters. We describe those matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the Independent Auditor's report is Phibion Gwatidzo.

Report on Other Legal and Regulatory Requirements

Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14) and the Banking Act (Chapter 24:20)
In our opinion, the inflation adjusted consolidated financial statements have been prepared in accordance with the requirements of the Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14) and the Banking Act (Chapter 24:20), except for the matters described on the Basis for Qualified Opinion noted above.

Statutory Instrument 205 of 2018 (SI 205/18)
SI 205/18 mandates financial institutions to collect Intermediated Money Transfer Tax when it mediates the transfer of money. The Bank did not collect intermediated money transfer tax on its own payments it processed to other parties. The Directors are of the view that, on all payments the Bank processes on its own behalf to other parties, the Bank would not have intermediated between two parties. However, SI 205/18 does not specify such transactions as exempt from intermediated money transfer tax.

Baker Tilly

Partner: Phibion Gwatidzo PAAB Practising Number: 0365
Baker Tilly Chartered Accountants (Zimbabwe) Harare

Date: 27 March 2020

BOARD ATTENDANCE RECORDS - FY2019

	Main Board	Audit Committee	Finance, Risk Management & ICT	Human Resources	Corp Govern, Ethics & Sustainability
NEW BOARD (JULY-DEC 2019)	**5**	**2**	**2**	**3**	**1**
Mutizwa Joseph	5	-	2	-	-
Mlambo Kupukile	4	-	2	-	1
Bango Sibusisiwe .P	4	2	-	3	-
Mugwara Reginald	5	2	-	3	-
Mugwagwa Norbert	2	-	1	2	-
Mutonga Jeremiah	4	2	-	-	1
Muzoroza Tadios	5	-	-	3	1
Ngwerume Luke .E	4	1	2	-	

	Main Board	Audit Committee	Finance, Risk Management & ICT	Human Resources	Corp Govern, Ethics & Sustainability
OLD BOARD (JAN-JUN 2019)	**3**	**2**	**2**	**2**	**2**
Mhakayakora Joseph	2	-	-	-	-
Kudenga Nelson	2	-	-	2	2
Choga Vavarirai	3	2	-	-	2
Tawha Charles	2	1	2	-	2
Sangarwe Magaret	3	-	2	2	2
Kunaka Pfungwa	2	1	2	2	-
Chiromo Norbert	-	2	-	-	-
Jinda Emmanuel	-	-	-	1	-
TOTAL MEETINGS IN FY2019	**8**	**4**	**4**	**5**	**3**

Meeting Dates - H1	15-Feb-19	20-Mar-19	3-Apr-19	20-Mar-19	20-Feb-19
	10-Apr-19	22-May-19	18-Jun-19	22-May-19	8-May-19
	5-Jun-19				
Meeting Dates - H2	29-Jul-19	7-Aug-19	25-Sep-19	4-Sep-19	23-Oct-19
	28-Aug-19	31-Oct-19	11-Dec-19	10-Sep-19	
	16-Sep-19			13-Nov-19	
	18-Nov-19				
	17-Dec-19				

Key - Not applicable.

PSGRS – Development Finance Institutional Rating

The Bank was rated under the Prudential Standards, Guidelines and Rating System (PSGRS). The framework falls under the purview of African Association of Development Finance Institutions (AADFI) and requires Independent validation of the rating by an external auditor. The Bank's 2019 rating was assigned a grade of "A+" and validated by our external auditors Baker Tilly. The rating was done as at 31 December 2018 covering one year to 31 December 2019. The rating scale evaluates three critical areas; governance, financial and operational standards. The risk assessment ratings are summarised below;

PSGRS Standard	Maximum possible weight	2018 score	2017 score
Governance	40%	42.62%	36.4%
Financial	40%	27.83%	27.3%
Operational	20%	17.17%	18.7%
Overall Score		87.62%	82.4%
PSGRS rating		A+	A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

		Inflation Adjusted		Historical	
	Note	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Interest and related income	27.1	70 385 732	85 446 359	23 194 706	13 756 036
Interest and related expense	27.2	(29 042 400)	(36 111 483)	(9 063 686)	(5 813 599)
Net interest income		**41 343 332**	**49 334 876**	**14 131 020**	**7 942 437**
Property sales		262 217	29 194 499	79 878	4 700 032
Cost of sales		(26 541)	(18 219 147)	(5 964)	(2 933 106)
Gross profit	28	235 676	10 975 352	73 914	1 766 926
Fee and commission income	29	41 741 166	21 765 710	23 463 414	3 504 068
Dividend income		169 218	313 497	47 603	50 470
Revenue		**83 489 392**	**82 389 435**	**37 715 951**	**13 263 901**
Other income	31	7 042 472	2 180 833	4 533 239	351 093
Loan impairment charge		1 751 270	12 946 795	1 751 270	2 084 309
Fair value gain/ (loss) on investment property	32	179 846 994	(6 597 074)	179 846 994	(1 062 065)
Net gain / (loss) on financial assets at fair value through profit or loss	30	338 406	(10 758)	338 406	(1 731)
Net foreign exchange gain/(loss)	33	15 132 385	(58 184)	7 070 553	(9 367)
Operating expenses	34	(109 407 236)	(79 853 192)	(40 488 018)	(12 855 592)
Interest expense on lease liability	2.1.2.1	(645)	-	(645)	-
Share of loss of associate	12.3	(380 783)	(710 279)	(116 050)	(114 346)
Loss on disposal of associate		-	(5 343 850)	-	(860 308)
Profit for the year before taxation		**177 812 255**	**4 943 726**	**190 651 700**	**795 894**
Income tax credit	35	(5 535)	115 659	(5 535)	18 620
Profit for the year		**177 806 720**	**5 059 385**	**190 646 165**	**814 514**
Loss on net monetary position		(1 044 210 339)	-	-	-
(Loss)/Profit for the period		**(866 403 619)**	**5 059 385**	**190 646 165**	**814 514**
Other comprehensive income					
Items that may be reclassified to profit and loss					
Share of profit of associate	12.3	23 185	-	7 066	-
Net fair value gain/ (loss) on financial assets at fair value through other comprehensive income	8	90 778 567	(18 305 368)	90 778 567	(2 946 987)
Effects of change in functional currency on available for sale financial assets	8	37 040 167	-	6 714 676	-
Revaluation surplus on land and buildings		62 720 910	-	62 720 910	-
Other comprehensive income/ (loss) for the year net of tax		**190 562 829**	**(18 305 368)**	**160 221 219**	**(2 946 987)**
Total comprehensive (loss) / profit for the year		**(675 840 790)**	**(13 245 983)**	**350 867 384**	**(2 132 473)**
Profit for the year attributable to:					
Equity holders of the parent entity		(866 712 868)	5 352 707	190 551 919	861 736
Non-controlling interest		309 249	(293 322)	94 246	(47 222)
		(866 403 619)	**5 059 385**	**190 646 165**	**814 514**
Total comprehensive profit/ (loss) attributable to:					
Equity holders of the parent entity		(686 506 644)	(12 952 661)	340 416 534	(2 085 251)
Non-controlling interest		10 665 854	(293 322)	10 450 850	(47 222)
		(675 840 790)	**(13 245 983)**	**350 867 384**	**(2 132 473)**
(Loss) / profit for the year attributable to equity holders (ZWL cents)	36	(13 276)	82	2919	13

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

		Inflation Adjusted		Historical	
		2019	2018	2019	2018
	Note	ZWL	ZWL	ZWL	ZWL
ASSETS					
Cash and bank balances	6	196 025 699	1 738 841 147	196 025 699	279 936 582
Inventories	13	368 982 471	147 569 462	73 549 649	23 757 254
Other receivables and prepayments	11	34 824 226	53 767 248	33 618 193	8 656 006
Loans and advances to customers	10	58 799 101	282 099 315	58 799 101	45 415 257
Investment securities	7	664 217	1 950 767	664 217	314 054
Financial assets at fair value through other comprehensive income	8	108 968 636	43 872 774	108 968 636	7 063 092
Treasury bills and other financial assets	9	140 971 769	1 186 680 145	140 971 769	191 044 009
Assets pledged as collateral	9.1	40 534 763	38 218 867	40 534 763	6 152 867
Investment in associates	12.4	17 866 162	18 223 767	2 824 866	2 933 850
Investment property	14	226 010 000	98 328 897	226 010 000	15 830 000
Intangible assets	17	664 698	776 927	226 854	125 078
Property and equipment	16	109 260 826	55 941 340	85 118 110	9 006 013
Right of use of assets	18	1 845 263	-	1 845 263	-
Deferred taxation	15	31 879	198 016	31 879	31 879
Total assets		**1 305 449 710**	**3 666 468 672**	**969 188 999**	**590 265 941**
EQUITY AND LIABILITIES					
LIABILITIES					
Deposits from customers	24	63 165 805	218 440 291	63 165 805	35 166 771
Local lines of credit and bonds	25	263 220 973	2 096 409 909	263 220 973	337 501 690
Other liabilities	26	13 787 686	84 666 974	13 787 686	13 630 563
Lease liability-buildings	2.1.2.1	1 784 924	-	1 784 924	-
Total liabilities		**341 959 388**	**2 399 517 174**	**341 959 388**	**386 299 024**
EQUITY					
Share capital	19	405 496	405 496	65 281	65 281
Share premium	19	197 438 785	197 438 785	31 785 732	31 785 732
Foreign Currency Translation Reserve	20	362 018 069	(1 593 990)	65 659 316	(256 617)
Amounts Awaiting Allotment	19	810 306 296	807 501 997	130 500 000	130 000 000
Preference share capital	23	237 796 934	237 796 934	38 283 003	38 283 003
Fair value reserve	22	131 741 163	3 922 429	98 124 717	631 474
Revaluation Reserve	21	52 364 305	-	52 364 305	-
Retained (loss)/profit		(884 466 046)	(17 786 230)	187 721 557	(2 863 414)
Equity attributable to parent owners of the Group		**907 605 002**	**1 227 685 421**	**604 503 911**	**197 645 459**
Non-controlling interest in equity	12.2	55 885 320	39 266 077	22 725 700	6 321 458
Total shareholders' equity		**963 490 322**	**1 266 951 498**	**627 229 611**	**203 966 917**
Total equity and liabilities		**1 305 449 710**	**3 666 468 672**	**969 188 999**	**590 265 941**

These financial statements were approved by the Board of Directors and signed on their behalf by:

Joseph Mutizwa
(Chairman of the Board)
Date: 26 March 2020

Thomas Z. Sakala
(Chief Executive Officer)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

		Inflation Adjusted		Historical	
	Note	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Cash flow from operating activities					
Profit for the year		177 812 256	4 943 726	190 651 700	795 894
Adjustments for:					
Depreciation	16 & 18	3 435 806	2 729 103	1 437 785	439 360
Amortisation	17	207 388	267 269	68 101	43 028
Finance Cost	2.1.2.1	645	-	645	-
Loan impairment charge		(1 751 270)	(12 946 795)	(1 751 270)	(2 084 309)
Provisions and accruals		3 358 447	1 549 932	3 358 447	249 524
Sundry debtors impairment		-	75 222	.	12 110
Net (gain)/ losses from translation of foreign currency balances	33	(15 132 385)	58 184	(7 070 553)	9 367
Loss on disposal of investment in associate	12.4	-	5 343 850	-	860 308
Discount on sale of Treasury Bills		12 854 806	-	4 022 444	-
Unrealised fair value (gain)/ loss on investment property		(33 773 868)	6 597 074	(179 846 994)	1 062 065
(Gain) / loss on financial assets measured at fair value through profit and loss		(338 406)	10 758	(338 406)	1 732
Share of loss of associate		380 783	710 266	116 050	114 346
		147 054 202	**9 338 589**	**10 647 949**	**1 503 425**
Changes in :					
Loans and advances to customers		223 300 214	31 214 985	(13 383 843)	5 025 310
Other receivables and prepayments		18 943 019	(26 054 387)	(24 962 187)	(4 194 504)
Inventories		(221 413 016)	(47 595 286)	(14 239 069)	(7 662 380)
Deposits from customers		(155 274 484)	(66 785 310)	27 999 034	(10 751 788)
Other liabilities		(70 879 288)	51 869 015	157 123	8 350 406
Net cash used in operating activities		**(58 269 353)**	**(48 012 394)**	**(13 780 993)**	**(7 729 531)**
Cash flow from investing activities					
Acquisition of property and equipment	16	(6 879 606)	(34 275 285)	(2 276 526)	(5 517 989)
Additions of intangible assets	**17**	(95 158)	-	(19 000)	-
Disposal of Treasury Bills		1 066 061 081	-	7 927 777	-
Acquisition of financial assets at fair value through other comprehensive income		-	(2 817 202)	-	(453 542)
Proceeds from sale of investment property		262 217	167 712	123 119	27 000
Acquisition of investment property		(17 680 348)	-	(5 598 147)	(3 525 492)
Net cash used in investing activities		**1 041 668 186**	**(36 924 775)**	**157 223**	**(9 470 023)**
Cash flow from financing activities					
Proceeds from issue of bonds		3 720 000	101 437 336	3 720 000	16 330 429
Repayment of bonds		(58 624 940)	(185 133 157)	(29 810 488)	(29 804 645)
Rights issue	19	2 804 299	17 844 962	500 000	2 872 866
Increase in local lines of credit		(1 819 976 957)	1 657 019 986	(44 696 625)	266 764 166
Net cash generated from financing activities		**(1 872 077 598)**	**1 591 169 127**	**(70 287 113)**	**256 162 816**
Inflation effect on cash and cash equivalents		(654 136 683)	-	-	-
Net increase in cash and cash equivalents		**(1 542 815 448)**	**1 506 231 958**	**(83 910 883)**	**238 963 262**
Cash and cash equivalents at the beginning of the year		1 738 841 147	232 609 189	279 936 582	40 973 320
Cash and cash equivalents at end of the year	6	**196 025 699**	**1 738 841 147**	**196 025 699**	**279 936 582**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

Inflation Adjusted

	Ordinary share capital ZWL	Share premium ZWL	Amounts Awaiting allotment ZWL	Foreign Currency Translation Reserve ZWL	Preference share capital ZWL	Fair value Reserve ZWL	Revaluation Reserve ZWL	Accumulated Losses ZWL	Total before non-controlling interest ZWL	Non controlling interest ZWL	Total equity ZWL
Balance as at 1 January 2018	**277 160**	**55 496 482**	**-**	**(1 593 990)**	**237 796 934**	**22 227 797**	**-**	**(14 831 414)**	**299 372 969**	**33 397 537**	**332 770 506**
Changes on initial application of IFRS 9	-	-	-	-	-	-	-	(2 702 318)	**(2 702 318)**	-	**(2 702 318)**
Non controlling interest from new subsidiaries	-	-	-	-	-	-	-	-	**-**	6 161 861	**6 161 861**
Acquisition of addition interest in joint operations	-	-	-	-	-	-	-	(5 605 225)	**(5 605 225)**	-	**(5 605 225)**
Profit for the year	-	-	-	-	-	-	-	5 352 727	**5 352 727**	(293 322)	**5 059 405**
Issue of shares	128 336	141 942 303	807 501 997	-	-	-	-	-	**949 572 636**	-	**949 572 636**
Other comprehensive income:	-	-	-	-	-	(18 305 368)	-	-	**(18 305 368)**	-	**(18 305 368)**
Net fair value gain on financial assets at fair value	-	-	-	-	-	-	-	-	**-**	-	**-**
Balance as at 31 December 2018	**405 496**	**197 438 785**	**807 501 997**	**(1 593 990)**	**237 796 934**	**3 922 429**	**-**	**(17 786 230)**	**1 227 685 421**	**39 266 077**	**1 266 951 498**
Changes in accounting policy (IFRS 16)	-	-	-	-	-	-	-	33 053	**33 053**	-	33 053
Restated Balance as at 1 January 2019	**405 496**	**197 438 785**	**807 501 997**	**(1 593 990)**	**237 796 934**	**3 922 429**	**-**	**(17 753 177)**	**1 227 718 474**	**39 266 077**	**1 266 984 551**
Effects of change in functional currency	-	-	-	363 612 060	-	-	-	-	**363 612 060**	5 953 390	369 565 450
Exchange gain on financial assets at FVOCI (effects of changes in functional currency)	-	-	-	-	-	37 040 167	-	-	**37 040 167**	-	37 040 167
Revaluation of Property and equipment	-	-	-	-	-	-	52 364 305		**52 364 305**	10 356 605	62 720 910
Profit for the year	-	-	-	-	-	-	-	(866 712 868)	**(866 712 868)**	309 249	**(866 403 619)**
Rights issue awaiting allotment	-	-	2 804 299	-	-	-	-	-	**2 804 299**	-	**2 804 299**
Net fair value gain on financial assets at fair value	-	-	-	-	-	90 778 567	-	-	**90 778 567**	-	**90 778 567**
Balance as at 31 December 2019	**405 496**	**197 438 785**	**810 306 296**	**362 018 069**	**237 796 934**	**131 741 163**	**52 364 305**	**(884 466 046)**	**907 605 002**	**55 885 320**	**963 490 322**

Historical

	Ordinary share capital ZWL	Share premium ZWL	Amounts Awaiting allotment ZWL	Foreign Currency Translation Reserve ZWL	Preference share capital ZWL	Fair value Reserve ZWL	Revaluation Reserve ZWL	Accumulated Losses ZWL	Total before non-controlling interest ZWL	Non controlling interest ZWL	Total equity ZWL
Balance as at 1 January 2018	**44 620**	**8 934 396**	**-**	**(256 617)**	**38 283 003**	**3 578 460**		**(2 387 714)**	**48 196 148**	**5 376 680**	**53 572 828**
Changes on initial application of IFRS 9	-	-	-	-	-	-	-	(435 047)	**(435 047)**	-	**(435 047)**
Non controlling interest from new subsidiaries	-	-	-	-	-	-	-	-		992 000	**992 000**
Acquisition of addition interest in joint operations	-	-	-	-	-	-	-	(902 387)	**(902 387)**	-	**(902 387)**
Profit for the year	-	-	-	-	-	-	-	861 734	**861 734**	(47 222)	**814 512**
Issue of shares	20 661	22 851 336	130 000 000	-	-	-	-	-	**152 871 997**	-	**152 871 997**
Net fair value gain on financial assets at fair value	-	-	-	-	-	(2 946 986)	-	-	**(2 946 986)**	-	**(2 946 986)**
Balance as at 31 December 2018	**65 281**	**31 785 732**	**130 000 000**	**(256 617)**	**38 283 003**	**631 474**	**-**	**(2 863 414)**	**197 645 459**	**6 321 458**	**203 966 917**
Changes in accounting policy (IFRS 16)	-	-	-	-	-	-	-	33 053	**33 053**	-	33 053
Restated Balance as at 1 January 2019	**65 281**	**31 785 732**	**130 000 000**	**(256 617)**	**38 283 003**	**631 474**	**-**	**(2 830 361)**	**197 678 512**	**6 321 458**	**203 999 970**
Effects of change in functional currency	-	-	-	65 915 933	-	-	-	-	**65 915 933**	5 953 390	71 869 323
Exchange gain on financial assets at FVOCI (effects of changes in functional currency)	-	-	-	-	-	6 714 676	-	-	**6 714 676**	-	6 714 676
Revaluation of Property and equipment	-	-	-	-	-	-	52 364 305	-	**52 364 305**	10 356 605	62 720 910
Profit for the year	-	-	-	-	-	-	-	190 551 919	**190 551 919**	94 247	**190 646 166**
Rights issue awaiting allotment	-	-	500 000	-	-	-	-	-	**500 000**	-	**500 000**
Net fair value gain on financial assets at fair value	-	-	-	-	-	90 778 567	-	-	**90 778 567**	-	**90 778 567**
Balance as at 31 December 2019	**65 281**	**31 785 732**	**130 500 000**	**65 659 316**	**38 283 003**	**98 124 717**	**52 364 305**	**187 721 557**	**604 503 911**	**22 725 700**	**627 229 612**

1 INFRASTRUCTURE DEVELOPMENT BANK GROUP PROFILE AND PRINCIPAL ACTIVITIES

The Infrastructure Development Bank of Zimbabwe ("IDBZ"/ the "Bank"/the Group'') is a development financial institution which is incorporated and domiciled in Zimbabwe under the IDBZ Act (Chapter 24:14). The address of the Bank's registered office is IDBZ House, 99 Rotten Row, Harare, Zimbabwe. IDBZ and its subsidiaries (together the "Group") are primarily involved in mobilising and providing finance for infrastructure development activities and management of infrastructure development projects.

The consolidated financial statements were approved by the directors on 26 March 2020.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

These consolidated financial statements for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretation Committee ("IFRIC") interpretations and in the manner required by the Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14) and the Banking Act (Chapter 24:20) and the Companies Act (Chapter 24:03) except for issues indicated on basis for Qualified Opinion paragraph on the Auditors Report.

Functional currency
There was a change in functional currency from the United States Dollar (USD) to RTGS Dollar (ZWL) during the year ended 31 December 2019. The Bank's financial statements are therefore presented in the new functional currency, the ZWL. Refer to note 2.32.2 for additional details on the change in functional currency.

Impact of hyperinflation of financial reporting
The Public Accountants and Auditors Board issued pronouncement 01/2019 on the application of International Accounting Standard ("IAS") 29 'Financial Reporting in Hyperinflationary Economies' in Zimbabwe. The pronouncement requires companies domiciled in Zimbabwe to prepare and present financial statements for financial periods ended on or after 1 July 2019 to apply requirements of Financial Reporting in Hyperinflationary Economies' ("IAS 29").

Appropriate adjustments and reclassifications, including restatements for changes and general purchasing power of the Zimbabwean dollar and for the purposes of fair presentation in accordance with IAS 29, have been made in these financial statements to the historical cost financial information for the current year and prior period using the general Consumer Price Index ("CPI"). As a result, the consolidated financial statements and comparatives are stated in terms of the measuring unit current as at 31 December 2019.

The carrying amounts of non-monetary assets and liabilities are adjusted to reflect the change in the general price index from the date of acquisition to the end of the reporting period.

Gains or losses on the net monetary position are recognised in profit or loss and included in trading profit. All items recognised in the statement of comprehensive income are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred.

At the beginning of the first period of application, the components of owners' equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose. These restatements are recognised in other comprehensive income.

Restated retained earnings are derived from all other amounts in the restated statement of financial position.

At the end of the first period and in the subsequent periods, all components of owners' equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later.

All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

The sources of the price indices used were: Zimbabwe Statistical office from 2009 to June 2019, and trade economics from June 2019 to 30 September 2019 .

Indices Conversion factors	Indices	Conversion factors
CPI as at 31 December 2019	551.63	1
CPI as at 31 December 2018	88.81	6.21
CPI as at 31 December 2017	62.5	8.83
Movement CPI 2019	462.82	
Movement CPI 2018	26.31	

2.1.1 Consolidation

The Group's consolidated financial results incorporate the financial statements of the Bank and entities controlled by the Bank. Control is achieved when the Bank has power over the investee, is exposed or has rights to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. The results of subsidiaries acquired or disposed of during the year are incorporated from the dates control was acquired and up to the date control ceased.
The financial results of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies.

All intra-group balances, transactions, income and expenses, profits and losses resulting from intra-group transactions that are recognised in assets and liabilities and income and expenses are eliminated in full.

Non-controlling interests represent the portion of profit and net assets that is not held by the Group and are presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

The financial statements have been prepared on the historical cost basis except for land and buildings, investment property and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below.
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.
Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share- based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
Level 3 inputs are unobservable inputs for the asset or liability.

Comparative financial information
The financial statements comprise the comparative statements of financial position, profit or loss and other comprehensive income, changes in equity and cash flows. The comparative statements are presented together with the comparative notes.

Use of estimates and judgements
The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the process of applying the Bank's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the financial statements:

Judgement was applied on the following in preparing financial statements:
- Cash generating units for impairment loss computation;
- Classification of financial instruments;
- Use of exchange rates;
- Impairment of assets;
- Useful lives of assets;
- Income taxes;
- Allowances for credit losses;
- Employee benefits accruals and provisions.

Hyperinflation
The Bank exercised judgment in determining the onset of hyperinflation in Zimbabwe:
- Functional currency of the Bank, its subsidiaries, joint arrangements and associates is the currency of a hyperinflationary economy.
- Various characteristics of the economic environment in Zimbabwe were taken into account in assessing whether an economy is hyperinflationary or not. These characteristics include, but are not limited to, the following:

2.1.1 Consolidation (Continued)

- The general population prefer to keep its wealth in non-monetary assets or in a relatively stable foreign currency;
- Prices are quoted in a relatively stable foreign currency;
- Sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short;
- Interest rates, wages and prices are linked to a price index; and
- The cumulative inflation rate over three years is approaching, or exceeds, 100%.

Management exercised judgment as to when a restatement of the financial statements of a Group entity became necessary.

2.1.2 Application of new and revised International Financial Reporting Standards (IFRSs)

New and revised IFRSs mandatorily effective at the end of the reporting period
Except as noted below, the Bank did not adopt any new or revised accounting standards or interpretations. The accounting policies applied in the financial statements are consistent with prior years with the exception of those amended by the following accounting Standards:

2.1.2.1 Adoption of IFRS 16 (effective from 1 January 2019)

Impact of initial application of IFRS 16 Leases
In the current year, the Group has applied IFRS 16 with effect from 01 January 2019. IFRS 16 introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged .

The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The Group has applied IFRS 16 by restating the retained earnings.

(a) Impact of the new definition of a lease
The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019. In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

(b) Impact on Lessee Accounting
(i) Former operating leases
IFRS 16 changed how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.
Applying IFRS 16, for all leases (except as noted below), the Group:
(a) Recognised right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
(b) Recognised depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
(c) Separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

We tested the right-of-use assets for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

(ii) Former finance leases
The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Group's consolidated financial statements.

2.1.2.1 Adoption of IFRS 16 (effective from 1 January 2019) (Continued)

(c) Impact on Lessor Accounting
IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

(d) Financial impact of the initial application of IFRS 16
The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the current and prior years.

Impact on profit or loss	**2019 ZWL**		**2018 ZWL**
Impact on profit/(loss) for the year			
Increase in depreciation of right-of-use asset	(111 948)		(19 922)
Increase in finance costs	(645)		(237)
Decrease in rental expense	172 931		53 212
Increase in profit for the year	60 338		33 053

Impact on assets, liabilities and equity as at 01 January 2018	**As previously reported**	**IFRS 16 adjustments**	**As restated**
Property, plant and equipment	77 358 670		77 358 670
Right-of-use assets	-	1 845 263	1 845 263
Net impact on total assets	77 358 670	1 845 263	79 203 933
Obligations under finance leases			
Lease liabilities		1 784 924	1 784 924
Provisions	201 408		201 408
Trade and other payables	13 194 318		13 194 318
Net impact on total liabilities	13 395 726	1 784 924	15 180 650
			-
Retained earnings	187 661 219	60 338	187 721 557

Impact on assets, liabilities and equity as at 31 December 2018	**As previously reported**	**IFRS 16 adjustments**	**As restated**
Property, plant and equipment	9 006 013	-	9 006 013
Right-of-use assets	-	549 838	549 838
Net impact on total assets	9 006 013	549 838	9 555 851
Obligations under finance leases			
Lease liabilities	-	525 569	525 569
Provisions	248 983		248 983
Trade and other payables	13 381 580		13 381 580
Net impact on total liabilities	13 630 563	525 569	14 156 132
Retained earnings	(2 863 414)	33 053	(2 830 361)

Impact on assets, liabilities and equity as at 31 December 2019	**As previously reported**	**IFRS 16 adjustments**	**As restated**
Property, plant and equipment	85 118 110		85 118 110
Right-of-use assets	-	1 845 263	1 845 263
Net impact on total assets	**85 118 110**	**1 845 263**	**86 963 373**

2.1.2.1 Adoption of IFRS 16 (effective from 1 January 2019) (Continued)

Group as a lessee:
The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets of ZWL 1 845 263 and lease liabilities of ZWL 1 784 924 It also resulted in a decrease in other expenses of ZWL172 931 and an increase in depreciation of ZWL 111 948 and interest expense of ZWL 645.

The application of IFRS 16 had an impact on the consolidated Statement of Cash Flows of the Group.

Under IFRS 16, lessees must present:
- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities;
- Cash paid for the interest portion of a lease liability as either operating activities or financing activities, as permitted by IAS 7 (the Group has opted to include interest paid as part of financing activities); and
- Cash payments for the principal portion for a lease liability, as part of financing activities. Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities has increased by ZWL114 338 (2018: ZWL 33 053), being the lease payments, and net cash used in financing activities has increased by the same amount.

The adoption of IFRS 16 did not have an impact on net cash flows.

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

2.2 Foreign currency translation

(a) Functional and presentation currency
Items included in the consolidated financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in the Zimbabwean dollar ("ZWL"), which is the functional and presentation currency of the Group.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit and loss and other comprehensive income.

All foreign exchange gains and losses are presented in the statement of profit and loss and other comprehensive income within net foreign exchange gains or losses.

2.3 Consolidation

(a) Subsidiaries
The nature of project finance requires the creation of SPVs to ring fence certain risks. The IDBZ Act allows the Bank to create SPVs to achieve its objectives. Some of these SPVs satisfy the definition of subsidiaries for financial reporting purposes.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Control is achieved when the Group:
- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of the investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:
- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant

2.3 Consolidation (Continued)

- activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquire and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquires identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill
Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group entities are eliminated. Profits or losses resulting from transactions with Group entities that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership interests in subsidiaries without change of control
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries
When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Associates and Joint Ventures
Associates and Joint Ventures are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the statement of comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/ (loss) of an associate' in the statement of comprehensive income.

Profits or losses resulting from upstream and downstream transactions between the Group and its associates and joint ventures are recognised

2.3 Consolidation (Continued)

in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains or losses arising in investments in associates or joint ventures are recognised in the statement of comprehensive income.

The Bank discontinues the use of equity method when it ceases to have significant influence over an Associate. From that point, the investment is accounted for in accordance with IFRS 9 provided the associate does not become a subsidiary. On the loss of significant influence the Bank measures any remaining investment in the associate at fair value. Any difference between the sum total of the fair value of the retained investment and proceeds from disposing of part of the investment compared to the total carrying amount of the investment at the date when significant influence or loss is recognised in profit and loss.

(e) Joint Operations
A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to assets and obligations for the liabilities, relating to the arrangement.

The Group's joint operations are entities over which the Group has contractual arrangements to jointly share the control over the economic activity of the entities with one or more parties. The Group's interest in joint operation is accounted for in the consolidated financial statements using proportionate consolidation.

Proportionate consolidation involves combining the Group's share of the joint operation' income and expenses, assets and liabilities and cash flows of the jointly-controlled entities on a line-by-line basis with similar items in the Group's financial statements. When the Group sells assets to a joint operation, the Group recognises only the portion of gains or losses on the sale of assets that is attributable to the interest of the other operators. The Group recognises the full amount of any loss when the sale provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

The Group accounts for the assets; liabilities ;revenues and expenses relating to its interest in a joint operation in accordance with the IFRS applicable to the particular assets ;liabilities; revenues and expenses.

When the Group purchases assets from a joint operation, it does not recognise its share of the profits of the joint ventures arising from the Group's purchase of assets until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

2.4 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Deferred tax
Deferred tax is recognised using the liability method in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences arising out of the initial recognition of assets or liabilities and temporary differences on initial recognition of business combinations that affect neither accounting nor taxable profit are not recognised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

In determining the amounts used for taxation purposes the directors referred to applicable effective exchange rates at the date of acquisition of assets or incurring of liabilities. The Zimbabwe Revenue Authority (ZIMRA), announced methods to account for the deferred tax arising on assets purchased in USD. These methods require the preparer to first estimate the equivalent ZWL value of those assets at the time of purchase. Since the measurement of transactions in Zimbabwe dollars in the prior periods is affected by several economic variables such as mode of payment and hyperinflation this is an area where the directors have had to apply their judgement and acknowledge there could be significant variations in the results achieved depending on assumptions made.

2.5 Financial assets and liabilities

2.5.1 Date of recognition

Financial assets and liabilities are initially recognised using trade date accounting, i.e. the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial instruments that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to customers when funds are transferred to the Bank.

2.5.2. Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Note 2.5.6. Financial instruments are initially measured at their fair value as defined in Note 2.1.1, except in the case of financial assets and financial liabilities recorded at Fair Value through Profit or Loss (FVPL) wherein transaction costs are added to, or subtracted from this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss as described below.

2.5.3. Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

2.5.4. Measurement categories of financial assets and liabilities

From 1 January 2018, the Bank classified its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost,
- Fair Value through Other Comprehensive Income (FVOCI); and
- FVPL

The Bank classifies and measures its derivative and trading portfolio at FVPL. The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Before 1 January 2018, the Bank classified its financial assets as loans and receivables (amortised cost), FVPL, available-for-sale or held-to-maturity (amortised cost).

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

2.5.5. Balances due from other banks, Loans and advances to customers and Financial investments at amortised cost

Before 1 January 2018, balances due from other *banks* and *Loans and advances to customers,* included non–derivative financial assets with fixed or determinable payments that were not quoted in an active market, other than those:

- That the Bank intended to sell immediately or in the near term;
- That the Bank, upon initial recognition, designated as at FVPL or as available-for-sale; and
- For which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration, which were designated as available-for-sale.

From 1 January 2018, the Bank only measures balances due from other *banks*, *Loans and advances to customers* and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. The details of these conditions are outlined below.

2.5.6 Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument -by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

2.5.7 The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of financial instruments to identify whether they meet Solely the Payments of Principal and interest (SPPI) test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. In contrast, contractual terms that introduce a more than *de minimis* exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

2.5.8 Financial assets or financial liabilities held for trading

The Bank classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking.

Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established. Included in this classification are debt securities, equities, short positions and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

2.5.9 Debt instruments at FVOCI

The Bank applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPI test

These instruments largely comprise assets that had previously been classified as financial investments available- for-sale under IAS 39. FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost.

On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

2.5.10 Equity instruments at FVOCI

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by- instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

2.5.11 Debt issued (bonds) and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost.

Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

2.5.12 Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis;

Or

- The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;

Or

2.5.12 Financial assets and financial liabilities at fair value through profit or loss (Continued)

- The liabilities containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument.

Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

2.6 Reclassification of financial assets and liabilities

From 1 January 2018, the Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line or there is a change in business model for a group of financial instruments.

2.7 Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions
The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:
- Change in currency of the loan;
- Introduction of an equity feature;
- Change in counterparty; and
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

2.8 Derecognition other than for substantial modification

2.8.1 Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:
- The Bank has transferred its contractual rights to receive cash flows from the financial asset or;
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement;
  Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met;
- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates;
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients;
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:
- The Bank has transferred substantially all the risks and rewards of the asset or;
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated

2.8 Derecognition other than for substantial modification
2.8.1 Financial assets
third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2.8.2 Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

2.9. Impairment of financial assets

2.9.1. Overview of the ECL principles

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 2.31.1 (b).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL s and 12mECL s are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- **Stage 1:** When loans are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the Life Time Expected Credit Losses (LTECLs). Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- **Stage 3:** These are loans that are considered credit -impaired. The Bank records an allowance for the LTECLs.
- **POCI:** Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

2.9.2. The calculation of ECLs

The Bank calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- **PD** - The *Probability of Default* is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- **EAD** - The *Exposure at Default* is an estimate of the exposure at a future default date, taking into account expected changes in the

2.9. Impairment of financial assets
2.9.2. The calculation of ECLs

exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

- **LGD** - The *Loss Given Default* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Bank considers four scenarios (a base case, an upside, a mild downside ('downside 1') and a more extreme downside ('downside 2')). Each of these is associated with different PDs, EADs and LGDs, as set out above. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception of revolving facilities, for which the treatment is separate, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier. Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarised below :

- **Stage 1:** The 12months ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.
- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- **Stage 3:** For loans considered credit -impaired, the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
- **POCI:** POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime.

ECLs since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit- adjusted EIR.

Treatment of loan commitments, financial guarantees and other off-balance sheet exposures

- Loan commitments and letters of credit
- Financial guarantee contracts

When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within Provisions .

The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the four scenarios. The ECLs related to financial guarantee contracts are recognised within Provisions .

2.9.3. Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

2.9.4. Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Bank only recognises the cumulative changes in LTECL since initial recognition in the loss allowance.

2.9.5. Forward looking information

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth;
- Unemployment rates; and
- Inflation.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

2.10. Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Bank's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same is it was under IAS 39. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed when market fundamentals change significantly. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

2.11. Collateral repossessed

The Bank's accounting policy under IFRS 9 remains the same as it was under IAS 39. The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

In its normal course of business, the Bank does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the Statement of Financial Position.

2.12. Write-offs

The Bank's accounting policy under IFRS 9 remains the same as it was under IAS 39. Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

2.13. Forborne and modified loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral.

The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

The Bank also reassesses whether there has been a significant increase in credit risk. The Bank also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 24-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities has to be considered performing;
- The probation period of two years has passed from the date the forborne contract was considered performing;
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period;
- The customer does not have any contract that is more than 30 days past due.

2.14 Taxes

All the receipts and accruals of the Group are exempt from income tax in terms of paragraph 2 of the Third Schedule of the Income Tax Act (Chapter 23:06) and by virtue of Section 10 of the Capital Gains Tax Act (Chapter 23:01) from capital gains tax with the exception of two subsidiaries, Mazvel Investments (Private) Limited and Samukele Lodges (Private Limited).

2.14.1 Income tax

Income tax expenses comprise current, AIDS levy and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

2.14 Taxes

(a) Current
Current tax comprises expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using rates enacted or substantively enacted at the reporting date in the country where the Bank operates and generates taxable income and any adjustment to tax payable in respect of previous years.
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities.

(b) Deferred taxation
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that
- affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the
- foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Bank has not rebutted this presumption.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

2.15 Other receivables

Other receivables and prepayments are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non current assets.

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.16 Inventories

Inventories comprise substantially of properties under construction, for development and completed units. All inventories are valued at the lower of cost or net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

2.16.1 Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows: The cost or fair value of properties under development for sale comprises specifically identified cost, including the acquisition cost of land or fair value as it relates to land received as part of a government grant, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised . Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

2.16.2 Completed property held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property. The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

2.17 Investment property

Property that is held for long-term rental yields or for capital appreciation or both; and that is not occupied by the entities in the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

2.17 Investment property (Continued)

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value. Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable. Investment properties under construction for which the fair value cannot be determined reliably, but for which the Group expects that the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed – whichever is earlier. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices in less active markets or discounted cash flow projections. Valuations are performed as at the statement of financial position date by professional valuators who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued.

These valuations form the basis for the carrying amounts in the consolidated financial statements. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

Fair value measurement of property under construction is only applied if the fair value is considered to be reliably measurable. It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- The provisions of the construction contract;
- The stage of completion;
- Whether the project/property is standard (typical for the market) or non-standard;
- The level of reliability of cash inflows after completion;
- Past experience with similar constructions;
- The development risk specific to the construction; and
- Status of construction permits.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability including finance lease liabilities in respect of leasehold land classified as investment property; others, including contingent rent payments, are not recognised in the consolidated financial statements.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those rational market participants would take into account when determining the value of the investment property policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognised in the statement of comprehensive income.

Changes in fair value are recognised in the statement of comprehensive income. Investment property is derecognised either when it has been disposed of or when the investment property is permanently withdrawn from use and no economic benefit is expected from its disposal.

Where the Group disposes of an investment property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the statement of comprehensive income within net gain from fair value adjustment on investment property.

If an investment property becomes owner-occupied, it is reclassified as property and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of the transfer is treated in the same way as revaluation under IAS 16, 'Property, Plant and Equipment'. Any resulting increase in the carrying amount of the property is recognised in the profit or loss to the extent that it reverses a previous impairment, with any remaining increase recognised in other comprehensive income and increases directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to statement of comprehensive income.

2.18 Property and equipment

Construction in progress is stated at cost, net of accumulated impairment losses, if any. Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives.

2.18 Property and equipment (Continued)

Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Property and equipment transferred from customers are initially measured at fair value at the date on which control is obtained.

Land and Buildings are measured at fair value less accumulated depreciation and impairment losses recognised after the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

• Buildings	50 years
• Furniture and Fittings	7 years
• Motor Vehicles	5 years
• Office Equipment	5 years
• Computer Hardware and Software Equipment	3- 5 years

An item of property and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.19 Intangible assets

Software licences
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives. Software has a maximum expected useful life of 4 years.

Amortisation
Computer software costs recognised as intangible assets are amortised on the straight-line basis over their estimated useful lives.

2.20 Impairment of non-financial assets

Assets that have an indefinite useful life - for example, intangible assets not ready to use - are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating units"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.21 Share capital

Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of tax from the proceeds.

Preference share capital
Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity. Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings and accordingly dividends thereon are recognised on an accrual basis in profit or loss as part of finance costs.

2.22 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and bonus.

2.23 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers or customers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.24 Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable).

2.25 Related parties

Related party transactions and outstanding balances with key management and other entities in the Group are disclosed.

2.26 Revenue recognition

Revenue is derived substantially from the business of banking, project advisory services and related activities and comprises net interest income and non-interest income. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when specific criteria have been met for each of the group activities as described below.

The Group bases its estimate of return on historical results taking into consideration the type of customer, type of transaction and the specifics of each arrangement.

2.26.1 Recognition of interest income

The effective interest rate method
Under IFRS 9, interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost and financial instruments designated at FVPL. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset. The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).
If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk . The adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest and similar income in the income statement.

Interest and similar income
The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit -impaired and is, therefore, regarded as 'Stage 3', the Bank calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis. For purchased or originated credit -impaired (POCI) financial assets, the Bank calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets. Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate in net trading income and Net gains/(losses)on financial assets at fair value through profit or loss, respectively.

2.26 Revenue recognition (Continued)

2.26.2 Non-interest income

Non-interest income includes advisory and arrangement fees, net revenue from foreign exchange trading and net gains on the realisation or revaluation of investment properties. All such commissions and fees including service fees, investment management fees, placement and syndication fees are recognised as the related services are performed.

2.26.3 Dividend income

Dividend income is recognised when the right to receive income is established. Usually this is at the ex-dividend date for equity securities. Dividends are reflected as a component of non-interest income based on the underlying classification of the equity instruments.

2.26.4 Rental income

Rental income from the investment property is accounted for on an accrual basis.

2.26.5 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grant will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

2.26.6 Property sales

Gross profit arising from the sale of property is recognised on legal completion of the sale that is the point at which the purchase price for the property is paid and the transfer documents are dated.

2.27 Employee benefits

2.27.1 Pension scheme

The Group subscribes to two defined contribution pension plans; one is the Infrastructure Development Bank of Zimbabwe's group pension scheme and the other plan is the National Social Security Authority Scheme covering substantially all of its employees, A defined contribution plan, is a plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further contributions should the fund at any time not hold sufficient assets to pay all employees the benefits relating to their service in the current and prior periods. The Group's obligations for contributions to these scheme is recognised as an expense in the statement of comprehensive income as they are incurred.

2.27.2 Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.27.3 Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.
A liability is recognised for the amount expected to be paid under short term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.28 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. The diluted EPS figure is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of outstanding shares for the effects of all potentially dilutive ordinary shares.

2.29 Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the period in which the dividends are declared by the Bank's directors.

2.30 Fiduciary activities

The Group manages, on behalf of the Ministry of Finance and Economic Development, loan (and collection thereof) and fiscal funding disbursements to implementing agencies for infrastructure projects.

The assets and income arising thereon are excluded from these consolidated financial statements as they are not assets of the Group.

2.31 Critical accounting estimates and key sources of estimation uncertainty

The Group's financial position and its financial results are influenced by assumptions, estimates and management judgment, which necessarily have to be made in the course of the preparation of the financial statements.

The Group makes estimates and assumptions concerning the future. The resulting estimates will, by definition seldom equal the related actual results. The estimates and assumptions that have a significant risk of carrying a material adjustment to the carrying amount of assets and liabilities within the next financial year addressed below:

2.31.1 Impairment on loans and advances

(a) Determination of impairment allowance

The measurement of the expected credit loss allowance is an area of significant judgement. The process requires the interaction of complex LGD, EAD and PD models requires as well as the use of human judgement about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 2.9. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Determining criteria for default.

(b) Significant increase in credit risk

The Bank defines significant increase in credit risk as a significant increase in the probability of a default occurring since initial recognition. Credit risk would have increased significantly when contractual payments are more than 30 days past due. All accounts with significant material impact are placed on watch list from 15 days past due. This increase in credit risk is determined, on a continuous basis. In this case, the Bank performs the assessment on appropriate groups or portions of a portfolio of financial instruments. The Bank applies a rebuttable presumption that the credit risk has increased significantly when contractual payments are more than 30 days past due.

(c) Default

According to the Bank's policies, default arises when an obligor/ borrower fails to meet debt service obligations within 90 days of commitment either owing to lack of capacity or unwillingness to pay. This mirrors the 90 days past due rebuttable presumption contained in the Standard.

2.31.2 Key sources of estimation uncertainty

Impairment of financial assets at fair value through other comprehensive income

This note relates to other financial assets other than debt instruments at fair value through other comprehensive income. The Group determines that financial assets at FVTOCI are impaired when there is a significant or prolonged decline in the fair value below its costs. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

2.31.3 Useful lives and residual values of property and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges of its property and equipment. The estimate is based on projected life cycles for these assets. Management will increase the depreciation charges where useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned.

2.31.4 Fair value measurements and valuation processes

Some of the Group's assets are measured at fair value for financial reporting purposes. In estimating the fair value of an asset, the Group uses market observable data to the extent that it is available. Where this is not available, the Group uses third party qualified valuators to perform the valuation.

2.31 Critical accounting estimates and key sources of estimation uncertainty (Continued)

The Group recognized Treasury Bills as capital for regulatory purposes at nominal value. For financial reporting purposes, valuation intricacies ensued due to:
a) the lack of an active market to use as a reference point from which to draw a "market value "or a "market discount rate" and,
b) the high level of sensitivity to interest parameters which one could possibly apply in a valuation model resulting in a wide dispersion in the possible fair values.

Treasury bills are valued using Time Value of Money basis by applying market discount rate to future cash-flows in order to determine the present value of cash flows. In the absence of a market, IFRS 13 allows for the development of a valuation model using inputs which can either be verifiable or are not verifiable with the extent of verifiability determining whether the valuation model belongs under Level 2 or Level 3 of the valuation input scale.

Revaluation of land and buildings and investment properties
The Group carries its land and buildings and investment properties at fair value, with changes in fair value of investment properties and land and buildings being recognised in the statement of profit or loss and other comprehensive income respectively. For land and buildings and investment properties, a valuations have been undertaken using three methods; the Comparison approach, Income approach and the Cost approach. These approaches are used for fair value estimates as these are acceptable in that they maximise market inputs in active markets even if the asset being measured is not exchanged in an active market

Income Approach
The investment method involves the capitalisation of current and expected rental income by an appropriate yield

Comparison Approach
This entails using evidence of past sales of comparable properties, held under similar interest which are analysed on the basis of yield, rental return, voids and arrears. The obtained comparative statistics were then applied to the subject properties being valued with adjustments made to cater for property specific peculiarities.

Gross Replacement Costs
In computing the cost of replacement, rates obtained from Quantity Surveying Consultant firms were applied. Inferences were made from Turner and Townsend South Africa where construction is more active than in Zimbabwe at the moment. The Group engaged an independent valuation specialist to assess fair values as at 31 December 2019 for the investment properties and land and buildings.

2.31.5 Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing the consolidated financial statements. Additional information on the going concern assumption is disclosed in Note 42.

2.32 Functional currency

With the introduction of a new currency under Statutory Instrument 33 of 2019 (SI 33/19), the Bank has adopted ZWL as the functional currency with effect from 21 February 2020. The comparative information has been restated from US$ to ZWL at a rate of 1.1 as prescribed by Statutory Instrument 33 of 2019.

2.32.1 Functional currency disclosure in the Financial Statements for the year ended 31 December 2019

Since 2009, Zimbabwe has been under a multi-currency system, under which the USD has emerged as the currency of reference for business and government. New legislation was promulgated in the form of Statutory Instruments 133 of 2016 and 122a of 2017 which prescribed bond notes and coins issued by the Reserve Bank of Zimbabwe as legal tender with a 1:1 parity with the USD. With the acute shortage of USD cash and other foreign currencies in the country, increases in the utilisation of different modes of payment for goods and services such as settlement via the Real Time Gross Settlement (RTGS) system overseen by the Reserve Bank of Zimbabwe (RBZ), Point of sale machines (POS) and mobile money platforms, were observed. In addition:

- From 2017 instances were noted of some businesses pricing products and services differently, depending on the mode of payment, with the USD cash or payments from USD denominated nostro accounts being the cheapest alternative and RTGS the most expensive. This practice, however, was discouraged by the monetary authorities and;
- The significant unavailability of the USD in cash and in Nostro accounts made processing of payments to foreign suppliers and creditors difficult for businesses, with waiting periods being experienced. As a result of these and other factors, management had to make an assessment of whether the use of the USD as the Company's functional currency was still appropriate. In doing so management considered the following parameters as set out in IAS 21 (Paragraph 8):
- a) The currency that mainly influences sales prices for goods and services (normally the currency in which the sales price for goods or services are denominated and settled);
  b) The currency of the competitive forces and regulations that mainly determine the sales prices of goods and services;
  c) The currency that mainly influences labour, material and other costs of providing goods or services, (normally the currency in which such costs are denominated and settled); and
  d) The currency in which receipts from operating activities are usually retained.

2.32 Functional currency (Continued)

The USD remained the primary driver for most of the factors above. It should be also be noted that in line with guidance set by the RBZ, banks and other financial intermediaries did not maintain separate customer accounts for US$, Bond notes and coins, and payment made electronically whose values were considered to be at par. Obligations to our suppliers were settled via cash, as well as through various electronic platforms available through the national payments system, including RTGS.

During 2018, the Directors concluded that the USD was still the Group's functional currency for accounting and financial reporting purposes. This was also consistent with guidance provided by the PAAB.

2.32.2 Key developments during 2019 with an impact on the Bank

On 20 February 2019, the RBZ Governor announced a new Monetary Policy Statement with the following highlights:

- The denomination of RTGS balances, bond notes and coins collectively as RTGS$ (ZWL). ZWL became part of the multi-currency system;
- ZWL was to be used by all entities (including government) and individuals in Zimbabwe for purposes of pricing of goods and services, recording debts, accounting and settlement of domestic transactions; and
- The establishment of an inter-bank foreign exchange market where the exchange rate was to be determined by market forces.

The Monetary Policy statement was followed by the publication of Statutory Instrument 33 of 2019 (SI33/2019) on 21 February 2019. The Statutory Instrument gave effect to the introduction of the ZWL as legal tender and prescribed that "for accounting and other purposes" certain assets and liabilities on the effective date would be deemed to be ZWL at a rate of 1:1 to the USD and would become opening ZWL values from the effective date.

The Group followed the legal instruments and changed the functional currency on the 21st of February 2019. From this date the Bank then changed its currency from USD to ZWL at 1:1 except for specific assets and liabilities that were really in foreign currency. Assets and liabilities in foreign currency were converted from USD to ZWL at the rate of 2.5 and a Foreign Currency Translation Reserve (FCTR) was created to that effect except for a foreign investment in Nosard which according to IAS 21 was recorded in other comprehensive income.

2.32.3 Functional currency assessment for the Financial Statements for the year ended 31 December 2019

In making the functional currency assessment for 2019, the Directors made a critical evaluation of the same factors as for 2018 as outlined in note 2.32.1. The Directors also considered the following additional factors:

- The significant deterioration in the ability by the business during 2019 to meet foreign payment obligations, with some obligations remaining unpaid for over 12 months, despite sufficient electronic cash resources held;
- The fact that a significant majority of the group's operating cash flows are retained in ZWL accounts, as opposed to Nostro FCA accounts;
- The assessment that hard currency or nostro account based transactions, constitute a relatively small proportion of the overall transactions done by the Group;
- The self-evident increase in the extent of purchasing power disparities between the USD on one hand; and local bond notes and ZWL balances on the other hand; which was experienced in 2018, particularly in the last quarter of that year, and which have continued into 2019; and
- Upward asset price movements which seem de-linked from the circulation of actual USD within the economy.

The Directors were not able to arrive at the same conclusion that was arrived at in the preparation of the 2018 financial statements, which was that the USD is the Group's functional currency. This outcome is based on the Directors' interpretation of IAS 21 which defines a functional currency as the "currency of the primary economic environment in which an entity operates".

Directors and management believe that the fact that the interbank foreign currency market which was established towards the end of February 2019, opened trading at 1:2,5 between the ZWL and USD, is an indicator of the relative loss of value of bond notes and ZWL balances during 2019. The Directors therefore concluded that the Zimbabwe Dollar (ZWL) is the appropriate functional currency for the presentation of the financial statements for the year ended 31 December 2019.

2.33 Changes in accounting policies, estimates and disclosures

2.33.1 Changes in accounting policies

Revaluation of Land and Buildings

The Group re-assessed its accounting policy for property and equipment with respect to its measurement after initial recognition. The Group had previously measured all property and equipment using the cost model whereby, after initial recognition of the asset classified as property and equipment, the asset was carried at cost less accumulated depreciation and accumulated impairment losses.

On 1 January 2019, the Group elected to change the method of accounting for land and buildings classified as property and equipment, as the Group believes that the revaluation model provides more relevant information to the users of its financial statements and is more aligned to practices adopted by its competitors. In addition, available valuation techniques provide reliable estimates of the land and buildings' fair value. The Group applied the revaluation model prospectively. Following the change is accounting policy, land and buildings are measured at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. For details refer to Note 16.

2.33 Changes in accounting policies, estimates and disclosures (Continued)

2.33.2 Changes in accounting estimates

Property and Equipment

The Group re-assessed its accounting estimates for property and equipment except for motor vehicles to reflect the true and fair view of economic benefits being enjoyed from the assets.

The following useful life of assets were changed:

Asset Category	Previous useful life (Years)	Adopted useful life (Years)
Land and Buildings	30	50
Furniture and Fittings	3	7
Office Equipment	3	5
Computer Equipment	3	3-5

The effect of the changes were accounted prospectively.

3 RISK MANAGEMENT

3.1 Risk Management Policies

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including fair value interest rate risk, cash flow interest rate risk, foreign exchange risk, and price risk).

Risk management is a key function of management. The dynamism characterising the financial services sector has increased the importance of risk management. The Group has put in place a risk management framework to identify the type and areas of risk and to measure and assess all risks to enable management to make sound judgements and decisions and thereby limit losses.

The Board of Directors has overall responsibility for setting policies for risk management. The implementation and monitoring of the risk policies is through appropriate risk management structures with delegated authority from the Board. The Risk Management and Compliance Unit independently monitors risk throughout the Group according to set risk policies and provides advice and support on compliance matters. The Group manages risk within applicable laws. Each department is responsible for ensuring that its conduct complies with all the applicable laws and regulations.

In addition, the Group Internal Audit Unit is responsible for independent review of risk management and control environment; and the Group Legal Counsel provides advice and support on legal matters.

A Finance and Risk Management Committee has been set at Board level and it consists of non-executive directors to ensure the importance of this function is emphasized at a higher level.

3.2 Credit risk

Credit risk is the possibility of loss arising from the inability of a client or a counter party to meet its commitments to the Group. It is inherent in most banking products and activities. Credit risk management and control within the Group is guided by the Group's credit policy. The credit policy outlines procedures for accurate assessment, proper approval and consistent monitoring of credit risk.

The Group manages credit exposure to any entity through credit limits. A credit limit is set for each customer after assessment of the financial strength of the customer and assessment of other qualitative factors which influence the performance of the customer. The Group has in place a management Credit Committee that assesses credit proposals and exercise credit approval authority, up to a set limit. Approval of credit at higher levels requires the approval of the Board.

Individual loans are reviewed continuously through monthly reassessment of the credit grading so that problems can be detected and managed at an early stage. Periodic reassessment is also done based on management information received. Impairment allowances are adjusted monthly in line with the reassessed credit grades.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. The Group monitors the credit performance of customers on the utilised balances to minimise potential losses on the unutilised balances.

Maximum exposure to credit risk before collateral held or other credit enhancement

	Inflation adjusted		Historical	
Credit risk exposure relating to on-balance sheet assets are as follows:	**Maximum Exposure 31 Dec 2019 ZWL**	**Maximum Exposure 31 Dec 2018 ZWL**	**Maximum Exposure 31 Dec 2019 ZWL**	**Maximum Exposure 31 Dec 2018 ZWL Restated**
Cash and bank balances	196 025 699	1 738 841 147	196 025 699	279 936 582
Treasury bills and other financial assets	140 971 769	1 186 680 145	140 971 769	191 044 009
Gross loans and advances to customers	60 344 341	302 636 164	60 344 341	48 721 491
Assets pledged as collateral	40 534 763	38 218 867	40 534 763	6 152 867
Other receivables and prepayments	34 824 226	53 767 250	33 618 193	8 656 006
	472 700 798	**3 320 143 573**	**471 494 765**	**534 510 955**
Credit risk exposure relating to off-balance sheet assets are as follows:				
Loan commitments and guarantees	10 774 445	6 167 060	10 774 445	992 837
Maximum exposure to credit risk	**483 475 243**	**3 326 310 633**	**482 269 210**	**535 503 792**

Financial guarantees principally represent guarantees that require the Group to make certain payments if guarantee holders fail to meet their financial obligations. There was no potential obligation resulting from these guarantees.

3 RISK MANAGEMENT (Continued)
3.2 Credit risk (Continued)

There is no significant risk with respect to cash and cash equivalents as the Group holds bank accounts with large financial institutions with sound financial and capital cover. The fair value of cash and cash equivalents at the reporting date approximates the carrying amount.

	Inflation adjusted		Historical	
Loans and advances (including assets pledged as collateral) are summarised as follows:	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Stage 1	55 602 061	246 973 855	55 602 061	39 760 398
Stage 2	1 435 794	5 382 612	1 435 794	866 549
Stage 3	3 306 486	50 279 697	3 306 486	8 094 544
Gross	**60 344 341**	**302 636 164**	**60 344 341**	**48 721 491**
Less: allowance for impairment	(1 545 240)	(20 536 849)	(1 545 240)	(3 306 234)
Net	**58 799 101**	**282 099 315**	**58 799 101**	**45 415 257**

3.3 Liquidity risk

Liquidity risk is the possibility that the Group may fail to cover its financial obligations as they fall due. The risk arises as a result of mismatches between the maturities of assets and liabilities.

Management manages liquidity risk through cash flow and maturity mismatch management. They meet regularly to set and review the Group's strategies. The treasury department has the responsibility to implement and maintain a liquidity management strategy to ensure that the Group has sufficient liquidity to meet its daily liquidity obligations .

The Group has developed a comprehensive contingency liquidity plan to ensure that the Group does not get affected in case of a major market upset.

The Group uses the following strategies in its liquidity risk management:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers;
- Maintains a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements;
- Diversification of liabilities to achieve a stable funding base and avoid excessive reliance on any one counter party;
- Maturity mismatch limits for its cumulative funding positions; and
- Access to inter-bank markets.

Contract maturity analysis
Sources of liquidity are regularly reviewed by a separate team in Treasury function to maintain a wide diversification by provider, product and term.

Inflation Adjusted						
As at 31 December 2019	**Up to 1 month ZWL**	**1 to 3 months ZWL**	**3 to 9 months ZWL**	**9 to 12 months ZWL**	**over 12 months ZWL**	**Total ZWL**
Assets						
Cash and bank balances	196 025 699	-	-	-	-	196 025 699
Investment securities	664 217	-	-	-	-	664 217
through other comprehensive income	-	-	-	-	108 968 636	108 968 636
Treasury Bills and other financial assets	-	-	2 000 000	-	179 506 532	181 506 532
Loans and advances to customers	2 907 499	785 580	-	5 929 169	49 176 853	58 799 101
Total	**199 597 415**	**785 580**	**2 000 000**	**5 929 169**	**337 652 021**	**545 964 185**
Liabilities						
Deposits from customers	58 772 507	2 485 642	215 932	1 691 724	-	63 165 805
Bonds	2 063 118	2 880 473	4 403 018	2 816 945	9 308 207	21 471 761
Local Lines of Credit	241 749 212	-	-	-	-	241 749 212
Other liabilities	-	-	-	13 787 686	1 784 924	15 572 610
Total	**302 584 837**	**5 366 115**	**4 618 950**	**18 296 355**	**11 093 131**	**341 959 388**
Gap	**(102 987 422)**	**(4 580 535)**	**(2 618 950)**	**(12 367 186)**	**326 558 890**	**204 004 797**
Contingent liabilities:						
Loan commitments and guarantees	(10 774 446)	-	-	-	-	(10 774 446)
Total gap	**(113 761 868)**	**(4 580 535)**	**(2 618 950)**	**(12 367 186)**	**326 558 890**	**193 230 351**
Total cumulative gap	**(113 761 868)**	**(118 342 403)**	**(120 961 353)**	**(133 328 539)**	**193 230 351**	-

3 RISK MANAGEMENT (Continued)
3.3 Liquidity risk (Continued)

Historical						
As at 31 December 2019	**Up to 1 month ZWL**	**1 to 3 months ZWL**	**3 to 9 months ZWL**	**9 to 12 months ZWL**	**over 12 months ZWL**	**Total ZWL**
Assets						
Cash and bank balances	196 025 699	-	-	-	-	196 025 699
Investment securities	664 217	-	-	-	-	664 217
Financial assets at fair value through other comprehensive income	-	-	-	-	108 968 636	108 968 636
Treasury Bills and other financial assets	-	-	2 000 000	-	179 506 532	181 506 532
Loans and advances to customers	2 907 499	785 580	-	5 929 169	49 176 853	58 799 101
Total Gap	**199 597 415**	**785 580**	**2 000 000**	**5 929 169**	**337 652 021**	**545 964 185**
Liabilities						
Deposits from customers	58 772 507	2 485 642	215 932	1 691 724		63 165 805
Bonds	2 063 118	2 880 473	4 403 018	2 816 945	9 308 207	21 471 761
Local Lines of Credit	241 749 212					241 749 212
Other liabilities	-	-	-	13 787 686	1 784 924	15 572 610
Total	**302 584 837**	**5 366 115**	**4 618 950**	**18 296 355**	**11 093 131**	**341 959 388**
Gap	**(102 987 422)**	**(4 580 535)**	**(2 618 950)**	**(12 367 186)**	**326 558 890**	**204 004 797**
Contingent liabilities:						
Loan commitments and guarantees	(10 774 446)	-	-	-	-	(10 774 446)
Total gap	**(113 761 868)**	**(4 580 535)**	**(2 618 950)**	**(12 367 186)**	**326 558 890**	**193 230 351**
Total cumulative gap	**(113 761 868)**	**(118 342 403)**	**(120 961 353)**	**(133 328 539)**	**193 230 351**	**-**

Inflation Adjusted							
As at 31 December 2018	**Up to 1 month ZWL**	**1 to 3 months ZWL**	**3 to 9 months ZWL**	**9 to 12 months ZWL**	**over 12 months ZWL**	**Non interest bearing ZWL**	**Total ZWL**
Assets							
Cash and bank balances	1 738 841 147	-	-	-	-	-	1 738 841 147
Investment securities	-	-	-	-	-	1 950 767	1 950 767
Loans and advances to customers	49 475 058	2 933 449	-	105 637 171	124 053 637	-	282 099 315
Financial assets at fair value through other comprehensive income	-	-	-	-	-	43 872 774	43 872 774
Treasury bills and other financial assets	-	77 357	43 154 252	-	1 143 448 536	-	1 186 680 145
Total	**1 788 316 205**	**3 010 806**	**43 154 252**	**105 637 171**	**1 267 502 173**	**45 823 541**	**3 253 444 148**
Deposits from customers	152 099 306	65 838 009	502 976	-	-	-	218 440 291
Local lines of credit and Bonds	1 834 514 049	261 895 860	-	-	-	-	2 096 409 909
Other liabilities	-	84 666 974	-	-	-	-	84 666 974
Total	**1 986 613 355**	**412 400 843**	**502 976**	**-**	**-**	**-**	**2 399 517 174**
Gap	**(198 297 150)**	**(409 390 037)**	**42 651 276**	**105 637 171**	**1 267 502 173**	**45 823 541**	**853 926 971**
Contingent liabilities:							
Loan commitments	6 167 061	-	-	-	-	-	6 167 061
Total gap	**(204 464 211)**	**(409 390 037)**	**42 651 276**	**105 637 171**	**1 267 502 173**	**45 823 541**	**847 759 913**
Total cumulative gap	**(204 464 211)**	**(613 854 248)**	**(571 202 972)**	**(465 565 801)**	**801 936 372**	**847 759 913**	**-**

3 RISK MANAGEMENT (Continued)
3.3 Liquidity risk (Continued)

		Historical				
As at 31 December 2018	**Up to 1 month**	**1 to 3 months**	**3 to 9 months**	**9 to 12 months**	**over 12 months**	**Total**
Assets						
Cash and bank balances	279 936 582	-	-	-	-	279 936 582
Investment securities	314 054	-	-	-	-	314 054
Financial assets at fair value through other comprehensive income	-	-	-	-	7 063 092	7 063 092
Treasury Bills and other financial assets	-	12 454	6 947 412	-	184 084 143	191 044 009
Loans and advances to customers	7 965 005	472 257	-	17 006 561	19 971 434	45 415 257
Total	**288 215 641**	**484 711**	**6 947 412**	**17 006 561**	**211 118 669**	**523 772 994**
Liabilities						
Deposits from customers	24 486 515	10 599 282	80 974	-		35 166 771
Bonds	1 240 357	-	12 972 563	10 124 205	17 825 572	42 162 697
Local Lines of Credit	295 338 993					295 338 993
Other liabilities	-	13 630 563	-	-	-	13 630 563
Total	**321 065 865**	**24 229 845**	**13 053 537**	**10 124 205**	**17 825 572**	**386 299 024**
Gap	**(32 850 224)**	**(23 745 134)**	**(6 106 125)**	**6 882 356**	**193 293 097**	**137 473 970**
Contingent liabilities:						
Loan commitments	(992 837)	-	-	-	-	(992 837)
Guarantees	-	-	-	-	-	
Total gap	**(33 843 061)**	**(23 745 134)**	**(6 106 125)**	**6 882 356**	**193 293 097**	**136 481 133**
Total cumulative gap	**(33 843 061)**	**(57 588 195)**	**(63 694 320)**	**(56 811 964)**	**136 481 133**	**-**

3.4 Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

Market risk is the possibility of loss in the realizable value of assets or increase in the value of liabilities arising from adverse movements in interest rates, foreign exchange rates and share prices.

Interest rate risk arises due to assets and liabilities maturing at different times and thereby necessitating the rollover and re-pricing of liabilities of reinvestment and re-pricing of assets.

The Group uses the following to measure interest rate risk:

- Gap analysis;
- Duration analysis to estimate the loss in market value of the asset portfolio if interest rates move; and
- Rate sensitivity analysis involving calculation of ratios of rate sensitive assets to rate sensitive liabilities, and net rate sensitive assets/liabilities to equity and total assets.

Exchange rate risk arises from foreign currency open positions. The Group manages the risk through limits on the total exposure and through dealer limits.

3.4.1 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored monthly by Management Asset Liability Committee ("MALCO").

3 RISK MANAGEMENT (Continued)
3.4 Market risk (Continued)

The Group manages interest rate risk through Management Asset and Liability Committee and the strategies used include:
(a) Loan pricing, promotion and product structure;
(b) Deposit pricing, promotion and product structure;
(c) Use of alternative funding sources, including off-balance sheet alternatives to the extent such activity is authorised by the Board; and
(d) Security purchases and sales.

3.4.2. Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. The Group's quoted equity securities are publicly traded on the Zimbabwe Stock Exchange.

Below is a summary of the impact of increases/(decreases) of the equity index on the Group`s profit for the year and on equity. The analysis is based on the assumption that the equity index had increased/(decreased) by 5% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index.

3.4.3 Interest rate risk

The table below summarises the Group's exposure to interest rate risks. It includes the Group's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

Interest rate repricing gap analysis

			Inflation Adjusted				
AS AT 31 December 2019	**Up to 1 month ZWL**	**1 to 3 months ZWL**	**3 to 9 months ZWL**	**9 to 12 months ZWL**	**over 12 months ZWL**	**Non interest bearing ZWL**	**Total ZWL**
Assets							
Cash and bank balances	196 025 699	-	-	-	-	-	196 025 699
Investment securities	-	-	-	-	-	664 217	664 217
Loans and advances to customers	2 907 499	785 580	-	5 929 169	49 176 853	-	58 799 101
Financial assets at fair value through other comprehensive income	-	-	-	-	-	108 968 636	108 968 636
Treasury bills and other financial assets	-	-	2 000 000	-	179 506 532	-	181 506 532
Non-current assets held for sale	-	-	-	-	-	-	-
Total assets	**198 933 198**	**785 580**	**2 000 000**	**5 929 169**	**228 683 385**	**109 632 853**	**545 964 185**
Equity and liabilities							
Deposits from customers	58 772 507	4 177 366	215 932	-	-	-	63 165 805
Bonds	2 063 118	2 880 473	4 403 018	2 816 946	9 308 206	-	21 471 761
Local lines of credit	241 749 212						241 749 212
Lease Liability					1 784 924		1 784 924
Other liabilities	-	-	-	-	-	13 787 686	13 787 686
Total equity and liabilities	**302 584 837**	**7 057 839**	**4 618 950**	**2 816 946**	**11 093 130**	**13 787 686**	**341 959 388**
Total interest repricing gap	(103 651 639)	(6 272 259)	(2 618 950)	3 112 223	217 590 255	95 845 167	204 004 797
Total cumulative gap	**(103 651 639)**	**(109 923 898)**	**(112 542 848)**	**109 430 625**	**108 159 630**	**204 004 797**	**-**

3 RISK MANAGEMENT (Continued)
3.4.3 Interest rate risk (Continued)

Historical							
AS AT 31 December 2019	**Up to 1 month ZWL**	**1 to 3 months ZWL**	**3 to 9 months ZWL**	**9 to 12 months ZWL**	**over 12 months ZWL**	**Non interest bearing ZWL**	**Total ZWL**
Assets							
Cash and bank balances	196 025 699	-	-	-	-	-	196 025 699
Investment securities	-	-	-	-	-	664 217	664 217
Loans and advances to customers	2 907 499	785 580	-	5 929 169	49 176 853	-	58 799 101
Financial assets at fair value through other comprehensive income	-	-	-	-	-	108 968 636	108 968 636
Treasury bills and other financial assets	-	-	2 000 000	-	179 506 532	-	181 506 532
Total assets	**198 933 198**	**785 580**	**2 000 000**	**5 929 169**	**228 683 385**	**109 632 853**	**545 964 185**
Equity and liabilities							
Deposits from customers	58 772 507	4 177 366	215 932	-	-	-	63 165 805
Bonds	2 063 118	2 880 473	4 403 018	2 816 946	9 308 206	-	21 471 761
Local lines of credit	241 749 212						241 749 212
Lease Liability					1 784 924		1 784 924
Other liabilities	-	-	-	-	-	13 787 686	13 787 686
Total equity and liabilities	**302 584 837**	**7 057 839**	**4 618 950**	**2 816 946**	**11 093 130**	**13 787 686**	**341 959 388**
Total interest repricing gap	(103 651 639)	(6 272 259)	(2 618 950)	3 112 223	217 590 255	95 845 167	204 004 797
Total cumulative gap	**(103 651 639)**	**(109 923 898)**	**(112 542 848)**	**109 430 625**	**108 159 630**	**204 004 797**	-

Interest rate repricing gap analysis

Inflation Adjusted							
As at 31 December 2018	**Up to 1 month ZWL**	**1 to 3 months ZWL**	**3 to 9 months ZWL**	**9 to 12 months ZWL**	**over 12 months ZWL**	**Non interest bearing ZWL**	**Total ZWL**
Assets							
Cash and bank balances	1 738 841 147	-	-	-	-	-	1 738 841 147
Investment securities	-	-	-	-	-	1 950 767	1 950 767
Loans and advances to customers	49 475 058	2 933 449	-	105 637 171	124 053 637	-	282 099 315
Financial assets at fair value through other comprehensive income	-	-	-	-	-	43 872 774	43 872 774
Treasury bills and other financial assets	-	77 357	43 154 252	-	1 143 448 536	-	1 186 680 145
Trading assets pledged as collateral	-	-	-	-	38 218 867	-	38 218 867
Total assets	**1 788 316 205**	**3 010 806**	**43 154 252**	**105 637 171**	**1 305 721 040**	**45 823 541**	**3 291 663 015**
Deposits from customers	152 099 306	65 838 009	502 976	-	-	-	218 440 291
Local lines of credit and Bonds	1 834 514 049	261 895 860					2 096 409 909
Other liabilities	-	84 666 974	-	-	-	-	84 666 974
Total equity and liabilities	**1 986 613 355**	**412 400 843**	**502 976**	**-**	**-**	**-**	**2 399 517 174**
Total interest repricing gap	**(198 297 150)**	**(409 390 037)**	**42 651 276**	**105 637 171**	**1 305 721 040**	**45 823 541**	**892 145 841**
Total cumulative gap	**(198 297 150)**	**(607 687 187)**	**(565 035 911)**	**(459 398 740)**	**846 322 300**	**892 145 841**	**-**

3 RISK MANAGEMENT (Continued)
3.4.3 Interest rate risk (Continued)

			Historical				
As at 31 December 2018	**Up to 1 month ZWL**	**1 to 3 months ZWL**	**3 to 9 months ZWL**	**9 to 12 months ZWL**	**over 12 months ZWL**	**Non interest bearing ZWL**	**Total ZWL**
Assets							
Cash and bank balances	279 936 582	-	-	-	-	-	279 936 582
Investment securities	-	-	-	-	-	314 054	314 054
Loans and advances to customers	7 965 005	472 257	-	17 006 561	19 971 434	-	45 415 257
Financial assets at fair value through other comprehensive income	-	-	-	-	-	7 063 092	7 063 092
Treasury bills and other financial assets	-	12 454	6 947 417	-	184 084 138	-	191 044 009
Non-current assets held for sale	-	-	-	-	-	-	-
Trading assets pledged as collateral	-	-	-	-	6 152 867	-	6 152 867
Total assets	**287 901 587**	**484 711**	**6 947 417**	**17 006 561**	**210 208 439**	**7 377 146**	**529 925 861**
Deposits from customers	24 486 515	10 599 282	80 974	-	-	-	35 166 771
Bonds	1 240 357	-	12 972 564	10 124 205	17 825 572	-	42 162 698
Local lines of credit	295 338 993						295 338 993
Other liabilities	-	-	-	-	-	13 630 563	13 630 563
Total equity and liabilities	**321 065 865**	**10 599 282**	**13 053 538**	**10 124 205**	**17 825 572**	**13 630 563**	**386 299 025**
Total interest repricing gap	**(33 164 278)**	**(10 114 571)**	**(6 106 121)**	**6 882 356**	**192 382 867**	**(6 253 417)**	**143 626 836**
Total cumulative gap	**(33 164 278)**	**(43 278 849)**	**(49 384 970)**	**(42 502 614)**	**149 880 253**	**143 626 836**	-

3.4.3 Interest risk sensitivity analysis

The table below summarises the Group's exposure to interest rate risks. It includes the Group's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Inflation Adjusted		Historical	
Interest rate change	**Effect on profit for the year 2019 ZWL**	**Effect on profit for the year 2018 ZWL**	**Effect on profit for the year 2019 ZWL**	**Effect on profit for the year 2018 ZWL**
5% increase / (decrease)	3 805 389	4 272 318	1 159 735	687 802
10% increase / (decrease)	7 610 778	8 544 636	2 319 471	1 375 604

3.4.4 Foreign exchange risk

The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk as at 31 December.

3 RISK MANAGEMENT (Continued)
3.4.4 Foreign exchange risk (Continued)

Concentration of currency risk on off-balance sheet financial instruments as at 31 December was as follows:

Inflation Adjusted

As at 31 December 2019	ZWL	USD ZWL equivalent	ZAR ZWL equivalent	BWP ZWL equivalent	GBP ZWL equivalent	EURO ZWL equivalent	Total ZWL
Assets							
Cash and bank balances	186 360 740	8 846 941	245 216	1 305	62 153	509 344	196 025 699
Investment securities	664 217	-	-	-	-	-	664 217
Loans and advances to customers	58 799 101	-	-	-	-	-	58 799 101
Treasury bills and other financial assets	181 506 532	-	-	-	-	-	181 506 532
Financial assets at fair value through other comprehensive income	108 968 636						108 968 636
Other receivables and prepayments	33 618 193	-	-	-	-	-	33 618 193
	569 917 419	**8 846 941**	**245 216**	**1 305**	**62 153**	**509 344**	**579 582 378**
Equity and liabilities							
Deposits from customers	62 940 087	201 255	21 550	-	-	2 913	63 165 805
Bonds	21 471 761						21 471 761
Local lines of credit	241 749 212	-	-	-	-	-	241 749 212
Lease Liability	1 784 924						1 784 924
Other liabilities	13 787 686	-	-	-	-	-	13 787 686
	341 733 670	**201 255**	**21 550**	**-**	**-**	**2 913**	**341 959 388**
Net foreign exchange position	**228 183 749**	**8 645 686**	**223 666**	**1 305**	**62 153**	**506 431**	**237 622 990**

Historical

As at 31 December 2019	ZWL	USD ZWL equivalent	ZAR ZWL equivalent	BWP ZWL equivalent	GBP ZWL equivalent	EURO ZWL equivalent	Total ZWL
Assets							
Cash and bank balances	186 360 740	8 846 941	245 216	1 305	62 153	509 344	196 025 699
Investment securities	664 217	-	-	-	-	-	664 217
Loans and advances to customers	58 799 101	-	-	-	-	-	58 799 101
Treasury bills and other financial assets	181 506 532	-	-	-	-	-	181 506 532
Financial assets at fair value through other comprehensive income	108 968 636	-	-	-	-	-	108 968 636
Other receivables and prepayments	33 618 193	-	-	-	-	-	33 618 193
	569 917 419	**8 846 941**	**245 216**	**1 305**	**62 153**	**509 344**	**579 582 378**
Equity and liabilities							
Deposits from customers	62 940 087	201 255	21 550	-	-	2 913	63 165 805
Bonds	21 471 761	-	-	-	-	-	21 471 761
Local lines of credit	241 749 212	-	-	-	-	-	241 749 212
Lease Liability	1 784 924	-	-	-	-	-	1 784 924
Other liabilities	13 787 686	-	-	-	-	-	13 787 686
	341 733 670	**201 255**	**21 550**	**-**	**-**	**2913**	**341 959 388**
Net foreign exchange position	**228 183 749**	**8 645 686**	**223 666**	**1 305**	**62 153**	**506 431**	**237 622 990**

3 RISK MANAGEMENT (Continued)
3.4.4 Foreign exchange risk (Continued)

Inflation Adjusted						
As at 31 December 2018	**ZWL**	**ZAR ZWL equivalent**	**BWP ZWL equivalent**	**GBP ZWL equivalent**	**EURO ZWL equivalent**	**Total ZWL**
Assets						
Cash and bank balances	1 738 751 466	68 343	481	8 602	12 262	1 738 841 154
Investment securities	1 950 767	-	-	-	-	1 950 767
Loans and advances to customers	282 099 315	-	-	-	-	282 099 315
Treasury bills and other financial assets	1 186 680 145	-	-	-	-	1 186 680 145
Financial assets at fair value through other comprehensive income	43 872 774	-	-	-	-	43 872 774
Other receivables and prepayments	53 767 248	-	-	-	-	53 767 248
	3 307 121 715	**68 343**	**481**	**8 602**	**12 262**	**3 307 211 403**
Equity and liabilities						
Deposits from customers	218 434 464	3 804	0	123	1 900	218 440 291
Local lines of credit and bonds	2 096 409 909					2 096 409 909
Other liabilities	84 666 974	-	-	-	-	84 666 974
	2 399 511 347	**3 804**	**0**	**123**	**1 900**	**2 399 517 174**
Net foreign exchange position	**907 610 368**	**64 539**	**481**	**8 479**	**10 362**	**907 694 229**

Historical						
As at 31 December 2018	**ZWL**	**ZAR ZWL equivalent**	**BWP ZWL equivalent**	**GBP ZWL equivalent**	**EURO ZWL equivalent**	**Total ZWL**
Assets						
Cash and bank balances	279 922 143	11 003	77	1 385	1 974	279 936 582
Investment securities	314 054	-	-	-	-	314 054
Loans and advances to customers	45 415 257	-	-	-	-	45 415 257
Treasury bills and other financial assets	191 044 009	-	-	-	-	191 044 009
Financial assets at fair value through other comprehensive income	7 063 092					7 063 092
Other receivables and prepayments	8 656 006	-	-	-	-	8 656 006
	532 414 561	**11 003**	**77**	**1 385**	**1 974**	**532 429 000**
Equity and liabilities						
Deposits from customers	35 165 833	612	0	20	306	35 166 771
Bonds	42 162 697					42 162 697
Local lines of credit	295 338 993	-	-	-	-	295 338 993
Other liabilities	13 630 563	-	-	-	-	13 630 563
	386 298 086	**612**	**0**	**20**	**306**	**386 299 024**
Net foreign exchange position	**146 116 475**	**10 391**	**77**	**1 365**	**1 668**	**146 129 976**

The Group had no off balance sheet foreign currency exposure as at 31 December 2019 (31 December 2018 - ZWL nil).

3.4 Market risk (Continued)
3.4.4 Foreign exchange risk (Continued)

Foreign exchange risk
The table below indicates the extent to which the Group is exposed to foreign exchange risk as at 31 December 2019.

	Inflation Adjusted		Historical	
Exchange rate change	**Effect on profit for the year 2019 ZWL**	**Effect on profit for the year 2018 ZWL**	**Effect on profit for the year 2019 ZWL**	**Effect on profit for the year 2018 ZWL**
5% appreciation/(depreciation)	1 255 789	4 764	382 716	767
10% appreciation/(depreciation)	2 511 578	9 528	765 432	1 534

4 CAPITAL MANAGEMENT

The Group's objective when managing capital are :

- To safe guard the Group's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders, and
- To maintain a strong capital base to support the development of its business

The allocation of capital between specific business operations is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The process of allocating capital to specific operations is undertaken independently of those responsible for the operations. The Management Assets and Liability Committee ("MALCO") sets the assets and liability management policies which determine the eventual asset allocation dependent on desired risk return profiles based on MALCO forecasts on the different markets the Group participates in and economic fundamentals.

The Group Risk and Compliance Unit monitors and ensures adherence to these policies as well as continuously measure the efficacy of these policies through MALCO and various other credit committees.

Although maximisation of the return on risk adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making.

Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

The Group's capital is monitored using the dollar amount of the net shareholders' equity position, noting and explaining the causes of significant changes.

5 FAIR VALUE FINANCIAL ASSETS AND LIABILITIES

5.1.1 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:
Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

5 FAIR VALUE FINANCIAL ASSETS AND LIABILITIES (Continued)
5.1.1 Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2019.

Inflation Adjusted

At 31 December 2019	Level 1 ZWL	Level 2 ZWL	Level 3 ZWL
Investment securities	664 217	-	-
Financial assets at fair value through other comprehensive income	-	-	108 968 636
Total assets	664 217	-	108 968 636
Total liabilities	-	-	-

Historical

At 31 December 2019	Level 1 ZWL	Level 2 ZWL	Level 3 ZWL
Investment securities	664 217	-	-
Financial assets at fair value through other comprehensive income	-	-	108 968 636
Total assets	664 217	-	108 968 636
Total liabilities	-	-	-

At 31 December 2018	Inflation adjusted			Historical		
	Level 1 ZWL	Level 2 ZWL	Level 3 ZWL	Level 1 ZWL	Level 2 ZWL	Level 3 ZWL
Investment securities	1 950 767	-	-	314 054	-	-
Financial assets at fair value through other comprehensive income	-	-	43 872 774	-	-	7 063 092
Total assets	1 950 767	-	43 872 774	314 054	-	7 063 092
Total liabilities	-	-	-	-	-	-

Capitalisation Treasury Bills
Following a rights issue in the year ended 31 December 2018 to existing shareholders, the Bank received capitalisation treasury bills to settle the transaction with a face value of $150 000 000. The capitalisation treasury bill matures on 27 May 2021 and 24 March 2022 with coupon rates of 5% which are payable bi-annually. These treasury bills have been classified as loans & receivables in terms of *IFRS 9* Financial Instruments. Consequently, the asset is included in the statement of financial position at amortised cost, having been accounted for at fair value at initial recognition.

The computation of the fair value at initial recognition falls into Level 3 of the fair value hierarchy in terms of IFRS 13:"Fair Value" due to the absence of a recognizable market in which similar instruments are traded. The valuation was constructed as follows:-

Valuation technique	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value measurement
The Discounted Cash-flow valuation technique was applied by identifying a risk adjusted discount rate for comparable risk profiles and applying this on the contractual cash-flows in order to determine the present value of the instrument.	A discount rate of 5% was applied. This was development principally from adding a supposed fair rate of return to the projected inflation profile over the term of the instrument which yielded a range of 3.93% to 5.5%. The supposed fair return was based on the US 10 year Bond. The rates above were corroborated by reference to:- a) Rates applicable to similar loans to Government of Zimbabwe over the same term. b) External loan rates to private sector players in Zimbabwe after adjustment for risk margins and charges.	The estimated fair value would increase / (decrease) if a different risk adjusted discount rate was applied. Below is an indication of the sensitivity analysis at different rates:-

Rate	Basis	Increase/ decrease in capital
3.93%	Minimum	483 583
4.63%	Average	926 093
5.00%	Rate applied	1 155 469
5.50%	Maximum	1 460 576

5 FAIR VALUE FINANCIAL ASSETS AND LIABILITIES (Continued)

5.1.2 Financial instruments not measured at fair value

The table below summarises the carrying amounts of those financial assets and liabilities presented in the Group's statement of financial position. The fair value of the financial instruments approximates carrying amount.

Inflation adjusted				
	Carrying value 2019 ZWL	Fair value 2019 ZWL	Carrying value 2018 ZWL	Fair value 2018 ZWL
Financial assets :				
Treasury bills and other financial assets	140 971 769	140 971 769	1 186 680 145	1 186 680 145
Loans and advances to customers	58 799 101	58 799 101	282 099 315	282 099 315
Assets pledged as collateral	40 534 763	40 534 763	38 218 867	38 218 867
Financial liabilities:				
Deposits from customers	63 165 805	63 165 805	218 440 291	218 440 291
Bonds and local Lines of credit	263 220 973	263 220 973	2 096 409 909	2 096 409 909
It is assessed that the carrying amounts approximates their fair values.				

Historical				
	Carrying value 2019 ZWL	Fair value 2019 ZWL	Carrying value 2018 ZWL	Fair value 2018 ZWL
Financial assets :				
Treasury bills and other financial assets	140 971 769	140 971 769	191 044 009	191 044 009
Loans and advances to customers	58 799 101	58 799 101	45 415 257	45 415 257
Assets pledged as collateral	40 534 763	40 534 763	6 152 867	6 152 867
Financial liabilities:				
Deposits from customers	63 165 805	63 165 805	35 166 771	35 166 771
Bonds and local Lines of credit	263 220 973	263 220 973	337 501 690	337 501 690

It is assessed that the carrying amounts approximates their fair values.

(a) Loans and advances to customers
Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. As the loans and advances are issued at variable rates, the carrying amount approximates fair value.
(b) Deposits from customers
The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. All deposits are in this category therefore the carrying amount approximates fair value.

5.1.3 Risk limit control and mitigation policies

The Group manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, and industry sector are approved by the Board of Directors.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Some other specific control and mitigation measures are outlined below:

a) Collateral
The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds

5 FAIR VALUE FINANCIAL ASSETS AND LIABILITIES (Continued)

5.1.3 Risk limit control and mitigation policies (Continued)

advanced, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and trade receivables; and
- Sinking funds with ring fenced cashflows.

Longer-term finance and lending to corporate entities are generally secured. In addition, in order to minimize the credit loss, the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

b) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer when required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions - are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amounts of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

5.2 Impairment losses on financial assets

The measurement of impairment losses both under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns PDs to the individual grades;
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

6 CASH AND BANK BALANCES

	Inflation adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Cash on hand	499 327	665 138	499 327	107 081
Balances with banks	195 526 372	1 738 176 009	195 526 372	279 829 501
	196 025 699	1 738 841 147	196 025 699	279 936 582
Balances with banks				
	2019	**2018**	**2019**	**2018**
Balance with the Central Bank	18 080 912	59 983 536	18 080 912	9 656 768
Bank Deposits	8 933 770	2 954 980	8 933 770	475 723
Placements with other banks	168 511 690	1 675 237 493	168 511 690	269 697 010
Less: Allowance for impairment losses	-	-	-	-
Net Placements due	**195 526 372**	**1 738 176 009**	**195 526 372**	**279 829 501**

6 CASH AND BANK BALANCES (Continued)

Impairment allowance for due from banks

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The Bank makes placements with local banks whose credit rating is assessed on a yearly basis by the Global Credit Rating Company (GCR). The amounts presented are gross of impairment allowances. To cover itself from risk, the Bank takes security in the form of treasury bills for placements made. Despite the security, there has been no history of loss on placements to inform a probability of default (PD). Moreover, the loss given default (LGD) will be nil because of the security.

Inflation Adjusted

	2019 ZWL				2018 ZWL			
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Performing								
High grade	-	-	-	-	-	-	-	-
Standard grade	195 526 372	-	-	195 526 372	1 738 176 009	-	-	1 738 176 009
Total	**195 526 372**	**-**	**-**	**195 526 372**	**1 738 176 009**	**-**	**-**	**1 738 176 009**

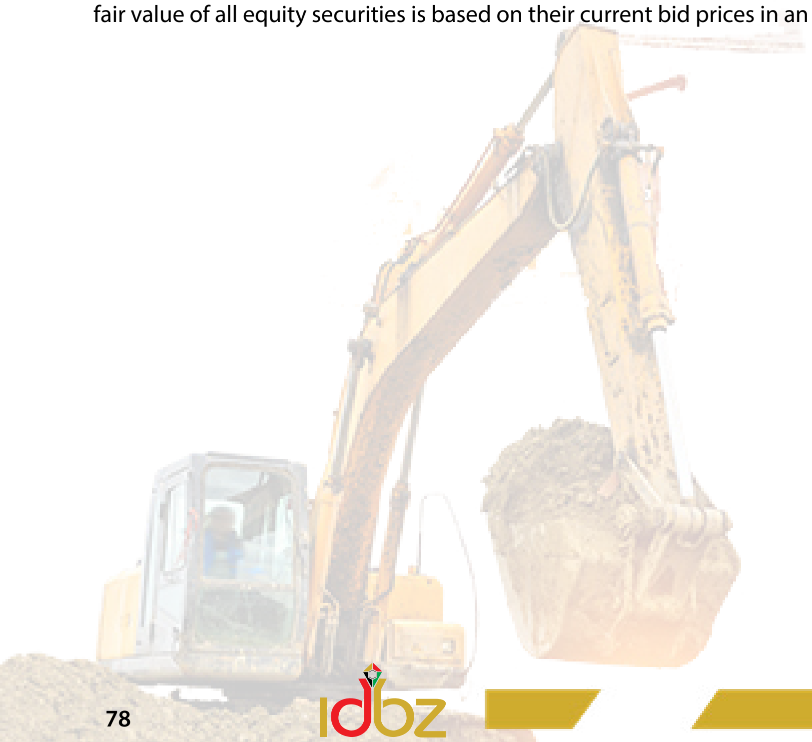
Historical

	2019 ZWL				2018 ZWL			
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Performing								
High grade	-	-	-	-	-	-	-	-
Standard grade	195 526 372	-	-	195 526 372	279 829 501	-	-	279 829 501
Total	**195 526 372**	**-**	**-**	**195 526 372**	**279 829 501**	**-**	**-**	**279 829 501**

7 INVESTMENT SECURITIES

	Inflation adjusted		Historical	
	2019 ZWL	**2018 ZWL**	**2019 ZWL**	**2018 ZWL**
At 1 January	1 950 767	1 961 525	314 054	315 786
Additions	13 706	-	11 757	-
Net gain through profit or loss	338 406	(10 758)	338 406	(1 732)
Loss on net monetary position	(1 638 662)			
At 31 December	**664 217**	**1 950 767**	**664 217**	**314 054**

Changes in fair value of investment securities are presented as non-cash adjustments to cash flows from operating activities in the statement of cash flows. Changes in fair values of investment securities are recorded in statement of profit or loss and other comprehensive income. The fair value of all equity securities is based on their current bid prices in an active market, the Zimbabwe Stock Exchange ("ZSE").



8 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Inflation adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL Restated
At 1 January	43 872 774	59 360 944	7 063 092	9 556 537
Additions	18 727 839	2 817 198	4 412 301	453 542
Change in functional currency as at 21 February 2019	37 040 167	-	6 714 676	-
Net fair value gains on financial assets at fair value through other comprehensive income	90 778 567	(18 305 368)	90 778 567	(2 946 987)
Loss on net monetary position	(81 450 711)	-	-	-
At 31 December	**108 968 636**	**43 872 774**	**108 968 636**	**7 063 092**
Financial assets at fair value through other comprehensive income include the following;				
Unlisted securities:				
Equity securities - Zimbabwe	6 998 941	16 067 060	6 998 941	2 586 641
Equity securities - Botswana	101 969 695	27 805 714	101 969 695	4 476 451
	108 968 636	**43 872 774**	**108 968 636**	**7 063 092**

Net fair value gain on financial assets at fair value through other comprehensive income are all denominated in ZWL.

9 TREASURY BILLS AND OTHER FINANCIAL ASSETS

	Inflation adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Treasury bills as substitution for debt instruments	7 850 489	140 986 153	7 850 489	22 697 405
Capitalisation Treasury Bills	125 672 487	974 186 391	125 672 487	156 834 573
Treasury bills acquired from the market	4 500 000	52 798 207	4 500 000	8 500 000
Accrued Interest	2 948 793	18 709 394	2 948 793	3 012 031
	140 971 769	**1 186 680 145**	**140 971 769**	**191 044 009**

It is the Group's intention to hold these treasury bills to maturity and use these financial assets as collateral in raising money market deposits.

9.1 Assets pledged as collateral

The nature and carrying amounts of the assets pledged as collateral are as follows:

	Assets				Related liability			
	Inflation adjusted		Historical		Inflation adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Treasury bills	40 534 763	38 218 867	40 534 763	6 152 867	139 724 586	22 494 305	30 053 057	22 494 305
Current	40 534 763	38 218 867	40 534 763	6 152 867	139 724 586	22 494 305	30 053 057	22 494 305

Assets pledged as collateral are financial assets purchased or acquired which are subsequently pledged as collateral for fixed deposits and bankers acceptances from other financial institutions.

10 LOANS AND ADVANCES TO CUSTOMERS

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Individual				
- term loans and mortgages	11 223 649	97 138 440	11 223 649	15 638 348
Corporate				
- corporate customers	49 120 692	205 497 724	49 120 692	33 083 143
Gross loans and advances to customers	60 344 341	302 636 164	60 344 341	48 721 491
Less: allowance for impairment (Note 10.1)	(1 545 240)	(20 536 849)	(1 545 240)	(3 306 234)
Net loans and advances to customers	**58 799 101**	**282 099 315**	**58 799 101**	**45 415 257**
Current	9 622 248	158 045 678	9 622 248	25 443 823
Non-current	49 176 853	124 053 637	49 176 853	19 971 434
	58 799 101	**282 099 315**	**58 799 101**	**45 415 257**

10.1 Loan impairment charge

Stage 1-12 Month Expected Credit Loss Allowance charge	551 913	4 479 984	551 913	721 234
Stage 2- Lifetime Expected Credit loss Allowance not credit impaired	4 027	234 492	4 027	37 751
Stage 3- Lifetime Expected Credit Loss Allowance credit impaired	989 300	15 822 373	989 300	2 547 249
		-		
Net loan impairment loss	**1 545 240**	**20 536 849**	**1 545 240**	**3 306 234**

10.1.1 Maturity analysis of loans and advances to customers

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Up to one month	2 907 499	49 475 058	2 907 499	7 965 005
Up to three months	785 580	2 933 449	785 580	472 257
Up to one year	5 929 169	105 637 171	5 929 169	17 006 561
Up to 3 years	6 606 581	27 169 315	6 606 581	4 373 997
Up to 5 years	1 010 700	63 113 380	1 010 700	10 160 643
Later than 5 years	41 559 572	33 770 942	41 559 572	5 436 794
	58 799 101	**282 099 315**	**58 799 101**	**45 415 257**

10 LOANS AND ADVANCES TO CUSTOMERS (Continued)

Inflation Adjusted

10.1.2 Analysis of ECL in relation to loans and advances as at 31 December 2019

	Stage1	Stage 2	Stage 3	Total
Loans and advances subject to Stage 1:12 month ECL	55 602 061	-	-	55 602 061
Loans and advances subject to Stage 2:Life ECL not credit impaired	-	1 435 794	-	1 435 794
Loans and advances subject to Stage 3:Life ECL credit impaired	-	-	3 306 486	3 306 486
Gross loans and advances	**55 602 061**	**1 435 794**	**3 306 486**	**60 344 341**
Less Impairment allowances				
Stage 1:12 month ECL	(551 913)	-	-	(551 913)
Stage 2:Life ECL not credit impaired	-	(4 027)	-	(4 027)
Stage 3:Life ECL credit impaired	-	-	(989 300)	(989 300)
Net Loans and advances to client	**55 050 148**	**1 431 767**	**2 317 186**	**58 799 101**

Analysis of ECL in relation to loans and advances as at 31 December 2018

	Stage1	Stage 2	Stage 3	Total
Loans and advances subject to Stage 1:12 month ECL	246 973 855			246 973 855
Loans and advances subject to Stage 2:Life ECL not credit impaired		5 382 612		5 382 612
Loans and advances subject to Stage 3:Life ECL credit impaired			50 279 697	50 279 697
Gross loans and advances	**246 973 855**	**5 382 612**	**50 279 697**	**302 636 164**
Less Impairment allowances				
Stage 1:12 month ECL	(4 479 990)			(4 479 990)
Stage 2:Life ECL not credit impaired		(234 489)		(234 489)
Stage 3:Life ECL credit impaired			(15 822 370)	(15 822 370)
Net Loans and advances to client	**242 493 865**	**5 148 123**	**34 457 327**	**282 099 315**

10 LOANS AND ADVANCES TO CUSTOMERS (Continued)
10.1.2 Analysis of ECL in relation to loans and advances as at 31 December 2019 (Continued)

Historical

Analysis of ECL in relation to loans and advances as at 31 December 2019

	2019			
	Stage1	**Stage 2**	**Stage 3**	**Total**
Loans and advances subject to Stage 1:12 month ECL	55 602 061	-	-	55 602 061
Loans and advances subject to Stage 2:Life ECL not credit impaired		1 435 794	-	1 435 794
Loans and advances subject to Stage 3:Life ECL credit impaired			3 306 486	3 306 486
Gross loans and advances	**55 602 061**	**1 435 794**	**3 306 486**	**60 344 341**
Less Impairment allowances				
Stage 1:12 month ECL	(551 913)			(551 913)
Stage 2:Life ECL not credit impaired		(4 027)		(4 027)
Stage 3:Life ECL credit impaired			(989 300)	(989 300)
Net Loans and advances to client	**55 050 148**	**1 431 767**	**2 317 186**	**58 799 101**

Analysis of ECL in relation to loans and advances as at 31 December 2018

				2018
	Stage1	**Stage 2**	**Stage 3**	**Total**
Loans and advances subject to Stage 1:12 month ECL	39 760 398	-	-	39 760 398
Loans and advances subject to Stage 2:Life ECL not credit impaired		866 549	-	866 549
Loans and advances subject to Stage 3:Life ECL credit impaired			8 094 544	8 094 544
Gross loans and advances	**39 760 398**	**866 549**	**8 094 544**	**48 721 491**
Less Impairment allowances				
Stage 1:12 month ECL	(721 235)			(721 235)
Stage 2:Life ECL not credit impaired		(37 750)		(37 750)
Stage 3:Life ECL credit impaired			(2 547 249)	(2 547 249)
Net Loans and advances to client	**39 039 163**	**828 799**	**5 547 295**	**45 415 257**

10.1.3 Sectorial analysis of loans and advances to customers

	Inflation adjusted				**Historical**			
	Percentage (%)	**2019 ZWL**	**Percentage (%)**	**2018 ZWL**	**Percentage (%)**	**2019 ZWL**	**Percentage (%)**	**2018 ZWL**
Manufacturing	3%	2 078 615	4%	12 237 647	3%	2 078 615	4%	1 970 143
Retail	0%	52 220	2%	4 900 811	0%	52 220	2%	788 983
Agro processing	12%	7 516 525	0%	758 711	12%	7 516 525	0%	122 145
Mining	0%	-	5%	15 947 431	0%	-	5%	2 567 382
Financial Services	5%	3 051 085	6%	18 758 090	5%	3 051 085	6%	3 019 871
Transport	1%	535 326	1%	2 144 716	1%	535 326	1%	345 279
Tourism and hospitality	0%	-	10%	31 413 569	0%	-	10%	5 057 280
Telecommunications	1%	-	1%	2 689 493	1%	-	1%	432 982
Construction	1%	763 901	2%	5 216 226	1%	763 901	2%	839 762
Energy	0%	-	31%	93 839 432	0%	-	31%	15 107 239
Mortgages	8%	4 528 202	13%	39 386 829	8%	4 528 202	13%	6 340 898
Individuals and other services	69%	41 818 467	25%	75 343 209	69%	41 818 467	25%	12 129 527
Gross value of loans and advances	**100%**	**60 344 341**	**100%**	**302 636 164**	**100%**	**60 344 341**	**100%**	**48 721 491**
Less allowance for impairment		(1 545 240)		(20 536 849)		(1 545 240)		(3 306 234)
		58 799 101		**282 099 315**		**58 799 101**		**45 415 257**

11 OTHER RECEIVABLES AND PREPAYMENTS

	Inflation adjusted		Historical	
	2019	2018	2019	2018
	ZWL	ZWL	ZWL	ZWL
Receivables	25 320 242	36 930 145	25 320 241	5 945 396
Impairment loss	(197 956)	-	(197 956)	
	-			
Net receivables	**25 122 286**	**36 930 145**	**25 122 285**	**5 945 396**
	-			
Pre-payments	9 701 940	16 837 103	8 495 908	2 710 610
	-			
	34 824 226	**53 767 248**	**33 618 193**	**8 656 006**

12 INVESTMENTS IN SUBSIDIARIES, JOINT OPERATION AND ASSOCIATES

The Group enters into business arrangement with various entities/parties notably in the area of housing development. Judgement is applied in the assessment of the underlying agreements so as to determine whether the arrangements result in subsidiaries, joint operations, joint ventures or associates. Notes 2.3 (a) – (e) describe the Group's accounting policies on how these business arrangements are evaluated.

12.1 Investment in subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows.

			Proportion of ownership interest and voting power held by the Group	
Name of subsidiary	**Principal activity**	**Place of incorporation and operation**	**as at 31 Dec 2019 %**	**as at 31 Dec 2018 %**
Waneka Properties (Private) Limited	Property development	Zimbabwe	70%	70%
Manellie Investments (Private) Limited	Agriculture	Zimbabwe	100%	100%
Norton Medical Investments (Private) Limited	Medical services	Zimbabwe	60%	60%
Hwange Empumalanga West Housing Project	Property development	Zimbabwe	90%	90%
Kariba Housing Development Project	Property development	Zimbabwe	90%	90%
Mazvel Investments (Private) Limited	Property development	Zimbabwe	51%	51%
Changamire Inkosi	Property Investment	Zimbabwe	60%	60%
Special purpose entities				
Clipsham Views Housing Project	Joint Operation	Zimbabwe	83%	83%

The Bank partnered a private developer to develop 206 hectares of land in Masvingo at an estimated cost of USD6.7 million which was raised through a bond. Under this development 704 low density residential stands, 26 industrial stands, 3 hospitality stands, 22 institutional stands and 16 commercial stands were serviced with 20km of water reticulation and 23.8km of surfaced road network, stormwater drainage, electricity reticulation and public lighting. The project was completed in the financial year ended 31 December 2017.

Municipality of Kariba and IDBZ formed an unincorporated Project Vehicle named Kariba Housing Project for the sole purpose of carrying out the development and construction of offsite and onsite infrastructure of low, medium and high density suburbs in Kariba. The Bank ceded a 10% ownership in the Project Vehicle in favour of Municipality of Kariba and IDBZ own 90% interest in the Project Vehicle while Municipality of Kariba will hold a 10% interest. The project is now 54% complete. Budgeted cost for the project is ZWL 16m.

Hwange Local Board and IDBZ formed an unincorporated Project Vehicle, Empumalanga West Housing & Waste Water Treatment Plant Rehabilitation Project for the sole purposes of carrying out the development of housing stands. The Bank is expected to inject ZWL5 800 000 cash into the project which translates to 100% of the total project cost. The Bank shall however cede a 10% ownership in the Project Vehicle in favour of Hwange Local Board through a notional loan of $842 083 and land worth $1 230 000. IDBZ will therefore hold 90% interest in the Project Vehicle while Hwange Local Board will hold a 10% interest. The project is now 64% complete. Budgeted cost for the project is ZWL 7m.

The Bank partnered a private promoter, Markaram Investments (P/L) through an incorporated project vehicle, Mazvel Investments to develop

12 INVESTMENTS IN SUBSIDIARIES, JOINT OPERATION AND ASSOCIATES (Continued)
12.1 Investment in subsidiaries (Continued)

119.2593 hectares of land into 356 low density residential stands, 1 commercial stand, 1 shopping centre, 1 institutional stand and 2 cluster homes stands. Engineering designs for roads, stormwater drainage, water and sewer reticulation are complete and were approved by the Local Authority for implementation. The project is awaiting environmental impact assessment approval from the Environmental Management Agency (EMA). Tendering for the civil works was done and the Bank is now in the process of concluding contract negotiations with the contractor.

Samukele Lodges
The Bank owns a 100% stake in Samukele Lodges. The Bank is mandated by the Act to invest in all forms of infrastructure. Samukele is in the tourism sector and operates lodges in Bulawayo and Harare.

Changamire Inkosi
The Bank owns a 60% shareholding in Changamire Inkosi. Changamire Inkosi owns a property in Harare which is used as a healthcare facility.

All subsidiaries have been consolidated in these financial statements.

12.2 Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:
The amounts disclosed below do not reflect the elimination of intergroup transactions.

Name of subsidiary	**Inflation Adjusted interest and voting rights held by non-controlling interests**		**Profit/(loss) allocated to non-controlling interests**		**Accumulated non-controlling interests**	
	2019 %	**2018** %	**2019** ZWL	**2018** ZWL	**2019** ZWL	**2018** ZWL
Waneka Properties (Private) Limited	30	30	149 246	(19 056)	669 423	623 150
Norton Medical Investments (Private) Limited	40	40	(4 561)	(2 332)	1 598 890	823 639
Hwange Empumalanga West Housing Project	10	10	-	-	2 388 935	3 086 924
Kariba Housing Development Project	10	10	-	-	7 110 300	7 847 619
Mazvel Investments (Private) Limited	49	49	-	(26 794)	19 070 989	22 992 243
Samukele Lodges	-	-	-	-	-	-
Changamire Inkosi	40	40	(50 438)	960	25 046 783	3 892 502
Total			**94 247**	**(47 222)**	**55 885 320**	**39 266 077**

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:
The amounts disclosed below do not reflect the elimination of intergroup transactions.

Name of subsidiary	**Historical interest and voting rights held by non-controlling interests**		**Profit/(loss) allocated to non-controlling interests**		**Accumulated non-controlling interests**	
	2019 %	**2018** %	**2019** ZWL	**2018** ZWL	**2019** ZWL	**2018** ZWL
Waneka Properties (Private) Limited	30	30	149 246	(19 056)	272 220	104 974
Norton Medical Investments (Private) Limited	40	40	(4 561)	(2 332)	650 187	138 748
Hwange Empumalanga West Housing Project	10	10	-	-	971 458	520 014
Kariba Housing Development Project	10	10	-	-	2 891 395	1 321 987
Mazvel Investments (Private) Limited	49	49	-	(26 794)	7 755 195	3 580 016
Samukele Lodges	-	-	-	-	-	-
Changamire Inkosi	40	40	(49 479)	960	10 185 245	655 719
Total			**95 206**	**(47 222)**	**22 725 700**	**6 321 458**

12 INVESTMENTS IN SUBSIDIARIES, JOINT OPERATION AND ASSOCIATES (Continued)

12.3 Share of losses of associates

	Inflation adjusted		Historical	
	2019 ZWL	**2018 ZWL**	**2019 ZWL**	**2018 ZWL**
Balance as at 1 January	**(11 789 436)**	**(11 079 157)**	(1 897 983)	(1 783 637)
Loss for the year	**(380 783)**	**(710 279)**	(116 050)	(114 346)
Other comprehensive income	**23 185**	**-**	7 066	
Balance as at 31 December	**(12 147 034)**	**(11 789 436)**	**(2 006 967)**	**(1 897 983)**

12.4 Carrying amount of the Investment in Associates

Balance as at 1 January	18 223 767	24 277 896	2 933 850	3 908 504
Disposal of Africom Continental	-	(5 343 850)	-	(860 308)
Share of loss from associates	(380 783)	(710 279)	(116 050)	(114 346)
Other comprehensive income	23 185	-	7 066	-
Balance as at 31 December	**17 866 162**	**18 223 767**	**2 824 866**	**2 933 850**

13 INVENTORIES

	Inflation adjusted		Historical	
	2019 ZWL	**2018 ZWL**	**2019 ZWL**	**2018 ZWL**
Inventory - housing units	1 883 367	807 582	325 032	130 014
Inventory - serviced stands	165 061 815	75 125 569	28 472 549	12 094 490
Work in progress	201 358 307	71 012 281	44 161 769	11 432 290
Consumables and materials	678 982	624 030	590 299	100 460
	368 982 471	**147 569 462**	**73 549 649**	**23 757 254**

Included in work in progress are land development costs for stands situated in Kariba, Mt Pleasant and Hwange. These are qualifying costs for capitalisation in accordance with IAS 2.

14 INVESTMENT PROPERTY

	Inflation adjusted		Historical	
	2019 ZWL	**2018 ZWL**	**2019 ZWL**	**2018 ZWL**
Balance as at 1 January	98 328 897	83 194 899	15 830 000	13 393 573
Additions during the year	18 730 348	21 898 786	7 672 719	3 525 492
Disposal for the year	(354 810)	(167 712)	(253 163)	(27 000)
Foreign Currency Translation Adjustment on change in functional currency at 21 February 2019	76 581 697	-	23 963 450	
Net fair value on Investment Property	33 773 868	(6 597 076)	179 846 994	(1 062 065)
Loss on monetary value	(146 073 126)	-	-	-
Net gain/(loss) from fair value adjustment	179 846 994	(6 597 076)	179 846 994	(1 062 065)
Reclassification of BSAC previously recognised as Investment Property	(1 050 000)		(1 050 000)	-
Balance as at 31 December	**226 010 000**	**98 328 897**	**226 010 000**	**15 830 000**
Analysis by nature				
Residential Properties	54 930 000	16 340 673	54 930 000	3 155 000
Commercial and industrial properties	171 080 000	81 988 224	171 080 000	12 675 000
	226 010 000	**98 328 897**	**226 010 000**	**15 830 000**

No investment properties are pledged as collateral security for fixed term deposits.

14 INVESTMENT PROPERTY (Continued)

Included in the consolidated statement of profit or loss and other comprehensive income are the following amounts which relate to investment properties held by the Group.

Rental income	8 006 001	2 168 666	822 265	348 660

Investment properties includes a number of commercial, industrial and residential properties that are leased to third parties. On average the leases contain a cancellable period of up to one year. Subsequent renewals are negotiated with the lessee.

The Group's investment properties were revalued as at 31 December 2019 by an independent professionally qualified valuer who hold a recognised professional qualification and have recent experience in the locations and categories of the investment properties valued.

In computing values for the properties, reliance was placed on principally two methods; the Comparison approach and the Discounted Cash Flow (DCF) approach.

In the Comparison approach entails using evidence of past sales of comparable properties, held under similar interest which are analysed on the basis of yield, rental return, voids and arrears. The obtained comparative statistics are then applied to the subject property being valued with adjustments made to cater for property specific peculiarities.

The Discounted Cash Flow (DCF) involves projecting rental income streams from the property into the future for a designated period which equates to the holding period of the asset. The future cash flows are then discounted to present day (valuation date) at an appropriate discount rate such as the cost of money, mortgage rate or yields of alternative but similar long-term investments such as bonds to give a 'net present value'. This method has the merit of calculating all cash flows on a common time basis. The rent was projected forward for a period of 10 years and then discounted to present value using average of mortgage rates and corporate bonds in the market.

15 DEFERRED TAX ASSET

	Inflation adjusted		**Historical**	
The analysis of deferred tax asset is as follows:	**2019 ZWL**	**2018 ZWL**	**2019 ZWL**	**2018 ZWL**
Unutilised tax Loss	**31 879**	**198 016**	31 879	31 879

The deferred tax asset has arisen from the taxable operations of the Group's subsidiary, Mazvel Investments (Private) Limited.

16 PROPERTY AND EQUIPMENT

	Inflation Adjusted					
	Freehold Land and buildings ZWL	Computer and office equipment ZWL	Motor vehicles ZWL	Fixtures and fittings ZWL	Capital work in progress ZWL	Total ZWL
COST						
At 01 January 2018	18 339 806	8 025 526	5 861 806	3 637 672	8 696 176	**44 560 986**
Additions	24 963 232	3 169 179	3 311 261	2 831 613	-	**34 275 285**
Revaluation gains	-	-	-	-	-	-
Disposals	-	(3 230)	-	(1 677)	-	**(4 907)**
At 31 December 2018	**43 303 038**	**11 191 475**	**9 173 067**	**6 467 608**	**8 696 176**	**78 831 364**
	-	-	-	-	-	-
At 01 January 2019	43 303 038	11 191 475	9 173 067	6 467 608	8 696 176	**78 831 364**
Additions	167 946	6 064 219	-	647 441	-	**6 879 606**
Foreign Currency Translation Gain	28 015 607	2 767 835	3 086 124	1 852 579	4 122 544	**39 844 689**
Revaluation gains	61 956 256					**61 956 256**
Loss in monetary value	(55 682 847)	-	-	-	-	**(55 682 847)**
Disposals	-	(187 289)	-	-	-	**(187 289)**
At 31 December 2019	**77 760 000**	**19 836 240**	**12 259 191**	**8 967 628**	**12 818 720**	**131 641 779**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 01 January 2018	2 640 022	6 483 999	4 230 565	3 452 096	3 354 239	**20 160 921**
Charge for the year	420 448	988 718	756 400	563 537	-	**2 729 103**
Disposals	-	-	-	-	-	-
At 31 December 2018	**3 060 470**	**7 472 717**	**4 986 965**	**4 015 633**	**3 354 239**	**22 890 024**
At 01 January 2019	3 060 470	7 472 717	4 986 965	4 015 633	3 354 239	22 890 024
Charge for the year	697 118	1 322 322	990 203	426 163	-	**3 435 806**
Eliminated on Disposals	-	(187 289)	-	-	-	**(187 289)**
Eliminated on revaluation	(3 757 588)	-	-	-	-	**(3 757 588)**
At 31 December 2019	**-**	**8 607 750**	**5 977 168**	**4 441 796**	**3 354 239**	**22 380 953**
CARRYING AMOUNT						
Cost at 31 December 2018	43 303 038	11 191 475	9 173 067	6 467 608	8 696 176	78 831 364
Accumulated depreciation at 31 December 2018	(3 060 470)	(7 472 717)	(4 986 965)	(4 015 633)	(3 354 239)	**(22 890 024)**
Carrying amount at 31 December 2018	**40 242 568**	**3 718 758**	**4 186 102**	**2 451 975**	**5 341 937**	**55 941 340**
	-	-	-	-	-	-
Cost at 31 December 2019	77 760 000	19 836 240	12 259 191	8 967 628	12 818 720	**131 641 779**
Accumulated depreciation at 31 December 2019	-	(8 607 750)	(5 977 168)	(4 441 796)	(3 354 239)	**(22 380 953)**
Carrying amount at 31 December 2019	**77 760 000**	**11 228 490**	**6 282 023**	**4 525 832**	**9 464 481**	**109 260 826**

16 PROPERTY AND EQUIPMENT (Continued)

	Freehold Land and buildings ZWL	Historical Computer and office equipment ZWL	Motor vehicles ZWL	Fixtures and fittings ZWL	Capital work in progress ZWL	Total ZWL
COST						
At 01 January 2018	2 952 531	1 292 032	943 694	585 359	1 400 000	**7 173 616**
Additions	4 018 839	510 035	533 081	455 862	-	**5 517 817**
Disposals	-	(520)	(223 157)	-	-	**(223 677)**
At 31 December 2018	**6 971 370**	**1 801 547**	**1 253 618**	**1 041 221**	**1 400 000**	**12 467 756**
Additions	65 911	1 859 736	-	350 879	-	**2 276 526**
Foreign Currency Translation Gain	8 766 463	866 093	965 690	579 697	1 290 000	**12 467 943**
Revaluation gains	61 956 256	-	-	-	-	**61 956 256**
Disposals	-	(21 220)	-	-	-	**(21 220)**
At 31 December 2019	**77 760 000**	**4 506 156**	**2 219 308**	**1 971 797**	**2 690 000**	**89 147 261**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 01 January 2018	425 018	1 043 688	681 080	555 754	540 000	**3 245 540**
Charge for the year	67 688	159 173	121 773	90 726	-	**439 360**
Disposals	-	-	(223 157)	-	-	**(223 157)**
At 31 December 2018	**492 706**	**1 202 861**	**579 696**	**646 480**	**540 000**	**3 461 743**
At 01 January 2019	492 706	1 202 861	579 696	646 480	540 000	**3 461 743**
Charge for the year	271 947	515 876	386 280	166 210	-	**1 340 313**
Eliminated on Disposals	-	(8 252)	-	-	-	**(8 252)**
Eliminated on revaluation	(764 653)	-	-	-	-	**(764 653)**
At 31 December 2019	**-**	**1 710 485**	**965 976**	**812 690**	**540 000**	**4 029 151**
CARRYING AMOUNT						
Cost at 31 December 2018	6 971 370	1 801 547	1 253 618	1 041 221	1 400 000	**12 467 756**
Accumulated depreciation at 31 December 2018	(492 706)	(1 202 861)	(579 696)	(646 480)	(540 000)	**(3 461 743)**
Carrying amount at 31 December 2018	**6 478 664**	**598 686**	**673 922**	**394 741**	**860 000**	**9 006 013**
Cost at 31 December 2019	77 760 000	4 506 156	2 219 308	1 971 797	2 690 000	**89 147 261**
Accumulated depreciation at 31 December 2019	-	(1 710 485)	(965 976)	(812 690)	(540 000)	**(4 029 151)**
Carrying amount at 31 December 2019	**77 760 000**	**2 795 671**	**1 253 332**	**1 159 107**	**2 150 000**	**85 118 110**

Depreciation expense of ZWL 3 435 806 (2018: ZWL 2 729 103) has been charged to operating expenses (Note 34).

Revaluation of Land and Buildings

The accounting policy for land and buildings was changed from the cost model to the revaluation model with effect from 01 January 2019. The rationale behind the change was to ensure that the values of land and buildings are in line with what is obtaining in the market and thus achieve fair presentation. Land and buildings were then revalued at the end of the year. The fair value of the land and buildings was determined using the market comparable method. As at the dates of revaluation on 31 December 2019, land and buildings fair values were based on valuations performed by Zimre Properties, an accredited independent valuer who has valuation experience for similar office properties in Zimbabwe. A net gain from the revaluation of the office properties of ZWL 62 720 910 in 2019 was recognised in OCI.

Change in Accounting Estimates

The Bank revised the useful life of PPE which resulted in a change in accounting estimates. The estimates were recognised prospectively by including it in profit or loss and adjusting the carrying amount of the property and equipment in 2019. The change in accounting estimates decreased depreciation charge for the year by ZWL 178 219.

17 INTANGIBLE ASSETS

INTANGIBLE ASSETS	Inflation adjusted ZWL	Historical ZWL
COMPUTER SOFTWARE		
COST		
At 01 January 2018	7 584 836	1 221 085
Additions	76 290	12 282
Disposals	-	-
At 31 December 2018	**7 661 126**	**1 233 367**
At 01 January 2019	7 661 126	1 233 367
Additions	95 158	19 000
Foreign Currency Translation	-	150 877
At 31 December 2019	**7 756 284**	**1 403 244**
ACCUMULATED DEPRECIATION AND IMPAIRMENT		
At 01 January 2018	6 616 929	1 065 261
Charge for the year	267 269	43 028
At 31 December 2018	**6 884 198**	**1 108 289**
At 01 January 2019	6 884 198	1 108 289
Charge for the year	207 388	68 101
At 31 December 2019	**7 091 586**	**1 176 390**
CARRYING AMOUNT		
Cost at 31 December 2018	7 661 125	1 233 367
Accumulated depreciation at 31 December 2018	(6 884 198)	(1 108 289)
Carrying amount at 31 December 2018	**776 927**	**125 078**
Cost at 31 December 2019	7 756 284	1 403 244
Accumulated depreciation at 31 December 2019	(7 091 586)	(1 176 390)
Carrying amount at 31 December 2019	**664 698**	**226 854**

18 RIGHT OF USE ASSETS

	Inflation adjusted ZWL	Historical ZWL
Cost		
At 01 January 2019	3 505 496	564 351
(Adjustments) /additions	(1 582 992)	1 392 860
At 31 December 2019	**1 922 504**	**1 957 211**
Accumulated Depreciation		
At 01 January 2019	90 150	14 513
Charge for the year	(32 201)	97 435
At 31 December 2019	**57 949**	**111 948**
Loss on monetary value	**(19 292)**	**-**
Carrying Amount		
At 31 December 2019	**1 845 263**	**1 845 263**

The Bank opted to disclose the Right of Use Assets separately from Property and Equipment on the face of the Statement of Financial Position.

19 SHARE CAPITAL AND SHARE PREMIUM

Authorised share capital
150 000 000 ordinary shares with a nominal value of ZWL0,01.

The directors are authorised to issue an unlimited number of preference shares as approved by shareholders.

Inflation Adjusted					
Issued share capital	**Number of shares**	**Share capital ZWL**	**Share premium ZWL**	**Amounts Awaiting Allotment ZWL**	**Total ZWL**
At 1 January 2019	6 528 190	405 496	197 438 785	807 501 997	1 005 346 278
Issue of shares	-	-	-	2 804 299	2 804 299
At 31 December 2019	**6 528 190**	**405 496**	**197 438 785**	**810 306 296**	**1 008 150 577**
At 1 January 2018	4 462 090	277 159	55 496 483	-	55 773 642
Issue of shares	2 066 100	128 337	141 942 302	807 501 997	949 572 636
At 31 December 2018	**6 528 190**	**405 496**	**197 438 785**	**807 501 997**	**1 005 346 278**

Historical					
Issued share capital	**Number of shares**	**Share capital ZWL**	**Share premium ZWL**	**Amounts Awaiting Allotment ZWL**	**Total ZWL**
At 1 January 2019	6 528 190	65 281	31 785 732	130 000 000	161 851 013
Issue of shares	-	-	-	500 000	500 000
At 31 December 2019	**6 528 190**	**65 281**	**31 785 732**	**130 500 000**	**162 351 013**
At 1 January 2018	4 462 090	44 620	8 934 396	-	8 979 016
Issue of shares	2 066 100	20 661	22 851 336	130 000 000	152 871 997
At 31 December 2018	**6 528 190**	**65 281**	**31 785 732**	**130 000 000**	**161 851 013**

Rights Issue
2 066 100 shares were issued pursuant to rights issue by the Group to ordinary shareholders during the year at a par value of $0.01 per share. The rights issue was with $ 2 872 886 cash and $ 150 000 000 worth of treasury bills. Of the amount raised, $22 872 886 was allotted as at 31 December 2018 and $130 000 0000 remained in Amounts Awaiting Allotment. An additional $500 000 was paid as a fulfilment of the rights issue.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

20 FOREIGN CURRENCY TRANSLATION RESERVE (FCTR)

The reserve arose from the net effect of restatement of assets and liabilities previously denominated in the Zimbabwe dollar to the United States dollars following the introduction of the multi-currency regime in the Zimbabwean economy on 1 January 2009 as well as due to the change of functional currency from the United States Dollar (USD) to Zimbabwe Dollar (ZWL) and the introduction of exchange rate between the United States Dollars and the ZWL dollars on 21 February 2019.

	Inflation adjusted		**Historical**	
	2019 ZWL	**2018 ZWL**	**2019 ZWL**	**2018 ZWL**
At the beginning of the year	(1 593 990)	(1 593 990)	(256 617)	(256 617)
Charge for the year	363 612 059	-	65 915 933	-
At the end of the year	362 018 069	(1 593 990)	65 659 316	(256 617)

21 REVALUATION RESERVE

	Inflation adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Loss on net monetary position	-	-	-	-
Charge for the year	**52 364 305**	-	**52 364 305**	-
At the end of the year	**52 364 305**	-	**52 364 305**	-

There was a change in accounting policy which occurred with effect from 1 January 2019. This was necessitated by the huge differences between cost and market value and this would have led to understatement of land and buildings carrying amount. The policy was changed to achieve fair presentation and the land and buildings were then revalued as at 31 December 2019.

22 FAIR VALUE

	Inflation adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
At the beginning of the year	3 922 429	22 227 797	631 474	3 578 460
Other comprehensive income for the year	127 818 734	(18 305 368)	97 493 243	(2 946 986)
At the end of the year	**131 741 163**	**3 922 429**	**98 124 717**	**631 474**

23 PREFERENCE SHARE CAPITAL

The preference shares are 5% non-cumulative, non-redeemable and paid up preference shares with a par value of ZWL100.00 per share. A dividend is payable at the discretion of Directors and is paid out of distributable profits.

No dividend has been declared during the financial year.

Inflation adjusted

		Preference	
	Number	Share capital	Total
Issued preference share capital	of shares	ZWL	ZWL
At 1 January 2019	382 830	237 796 934	237 796 934
Issue of shares	-	-	-
At 31 December 2019	**382 830**	**237 796 934**	**237 796 934**
At 1 January 2018	382 830	237 796 934	237 796 934
Issue of shares	-	-	-
At 31 December 2018	**382 830**	**237 796 934**	**237 796 934**

Historical

		Preference	
	Number	Share capital	Total
Issued preference share capital	of shares	ZWL	ZWL
At 1 January 2019	382 830	38 283 003	38 283 003
Issue of shares	-	-	-
At 31 December 2019	**382 830**	**38 283 003**	**38 283 003**
At 1 January 2018	382 830	38 283 003	38 283 003
Issue of shares	-	-	-
At 31 December 2018	**382 830**	**38 283 003**	**38 283 003**

24 DEPOSITS FROM CUSTOMERS

	Inflation adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Deposits from customers are primarily comprised of amounts payable on demand and term deposits.				
Large corporate customers	59 568 507	202 046 690	59 568 507	32 527 560
Retail customers	3 597 298	16 393 601	3 597 298	2 639 211
	63 165 805	**218 440 291**	**63 165 805**	**35 166 771**

24.1 Maturity analysis of deposits from customers

Up to one month	58 772 507	152 021 843	58 772 507	24 474 044
Up to three months	4 177 366	65 838 009	4 177 366	10 599 282
Above six months	215 932	580 439	215 932	93 445
	63 165 805	**218 440 291**	**63 165 805**	**35 166 771**

Deposits due to customers only include financial instruments classified as liabilities at amortised cost. The fair value of the deposits approximate the fair value due to their short tenure.

24.2 Sectorial analysis of deposits from customers

	Inflation Adjusted				Historical			
	Percentage	2019	Percentage	2018	2019	2019	Percentage	2018
	(%)	ZWL	(%)	ZWL	ZWL	ZWL	(%)	ZWL
Financial markets	40%	25 425 000	0%	-	40%	25 425 000	0%	-
Fund managers and pension funds	22%	13 893 722	0%	943 268	22%	13 893 722	0%	151 857
Individuals	0%	99 741	9%	18 840 485	0%	99 741	9%	3 033 136
Government and public sector institutions	28%	17 582 560	38%	83 187 777	28%	17 582 560	38%	13 392 426
Other services	10%	6 164 782	53%	115 468 761	10%	6 164 782	53%	18 589 352
	100%	**63 165 805**	**100%**	**218 440 291**	**100%**	**63 165 805**	**100%**	**35 166 771**

25 LOCAL LINES OF CREDIT AND BONDS

	Inflation adjusted		Historical	
	2019	2018	2019	2018
	ZWL	ZWL	ZWL	ZWL
Bonds	21 471 763	295 435 479	21 471 763	47 562 251
Lines of credit	241 749 210	1 800 974 430	241 749 210	289 939 439
Total	**263 220 973**	**2 096 409 909**	**263 220 973**	**337 501 690**
Current	9 283 083	151 171 369	9 283 083	24 337 126
Non current	253 937 890	1 945 238 540	253 937 890	313 164 564
	263 220 973	**2 096 409 909**	**263 220 973**	**337 501 690**

25 LOCAL LINES OF CREDIT AND BONDS (Continued)

	Inflation adjusted		Historical	
The movement in the balances during the year was as follows;	Bonds 2019 ZWL	Lines of credit 2019 ZWL	Bonds 2019 ZWL	Lines of credit 2019 ZWL
At 1 January	47 562 251	289 939 439	47 562 251	289 939 439
New issues/funding	3 720 000	1 586 034 719	3 720 000	1 586 034 719
Repayments/Disbursements	(29 810 489)	(1 634 224 947)	(29 810 489)	(1 634 224 947)
At 31 December	**21 471 762**	**241 749 211**	**21 471 763**	**241 749 211**

	Inflation adjusted		Historical	
	Bonds 2018 ZWL	Lines of credit 2018 ZWL	Bonds 2018 ZWL	Lines of credit 2018 ZWL
The movement in the balances during the year was as follows;				
At 1 January	379 131 299	143 954 442	61 036 467	23 175 271
New issues/funding	101 437 338	2 848 752 013	16 330 429	458 621 481
Repayments/Disbursements	(185 133 158)	(1 191 732 025)	(29 804 645)	(191 857 313)
At 31 December	**295 435 479**	**1 800 974 430**	**47 562 251**	**289 939 439**

26 OTHER LIABILITIES

	Inflation adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Accruals	3 565 635	21 032 552	3 565 635	3 386 037
Provision for outstanding employee leave	499 875	1 546 574	499 875	248 983
Dividend payable	245 040	1 522 077	245 040	245 040
Value Added Tax Liability	-	-	-	23 351
Withholding Tax Services	986 215	-	986 215	-
IMT Tax 2 Percent	160 663	-	160 663	-
Sundry Creditors-Internal	1 340 129	-	1 340 129	-
Projects Accounts payable	3 627 421	22 531 921	3 627 421	3 627 420
Lease Liability-Buildings	1 784 924	-	1 784 924	-
Deferred income	216 763	2 847 288	216 763	458 386
Other	1 361 021	35 186 562	1 361 021	5 641 346
	13 787 686	**84 666 974**	**13 787 686**	**13 630 563**

26.1 Provision for outstanding employee leave

Employee entitlements to annual leave are recognised when they accrue to employees. The provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of the reporting period and the charge is recognised in the statement of comprehensive income within "employee benefit costs" (Note 34.1).

	Inflation adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Balance at 1 January	248 983	1 251 056	248 983	201 408
Net Additions during the year	250 892	295 518	250 892	47 575
Balance as at 31 December	**499 875**	**1 546 574**	**499 875**	**248 983**

27 NET INTEREST INCOME

	Inflation adjusted		Historical	
	2019 ZWL	**2018 ZWL**	**2019 ZWL**	**2018 ZWL**
27.1 Interest and related income:				
Loans and advances to large corporates	14 320 591	21 104 713	7 255 273	3 397 655
Treasury bills and other financial assets	3 343 226	31 611 439	9 431 742	5 089 135
Placements with local banks	30 230 559	4 701 230	630 741	756 852
Mortgages	2 461 101	3 672 321	1 873 716	591 208
Cash and bank balances	20 030 255	24 356 656	4 003 234	3 921 186
	70 385 732	**85 446 359**	**23 194 706**	**13 756 036**
27.2 Interest and related expenses:				
Deposits from large corporates	(17 270 591)	(8 879 141)	(5 745 433)	(1 429 456)
Deposits from individuals	(165 943)	-	(53 733)	-
Bonds	(11 605 866)	(27 232 342)	(3 264 520)	(4 384 143)
	(29 042 400)	**(36 111 483)**	**(9 063 686)**	**(5 813 599)**

28 SALES

	Inflation adjusted		Historical	
	2019 ZWL	**2018 ZWL**	**2019 ZWL**	**2018 ZWL**
Property sales	262 217	29 194 499	79 878	4 700 032
Cost of construction of property	(26 541)	(18 219 147)	(5 964)	(2 933 106)
Gross profit	**235 676**	**10 975 352**	**73 914**	**1 766 926**

Sales of housing stands were recorded on New Marimba medium density project and Clipsham Views Housing Project.

29 FEE AND COMMISSION INCOME

	Inflation adjusted		Historical	
	2019 ZWL	**2018 ZWL**	**2019 ZWL**	**2018 ZWL**
Advisory and management fees	41 062 623	20 913 583	23 185 016	3 366 884
Banking service fees	678 543	817 956	278 398	131 683
Credit related fees	-	34 171	-	5 501
	41 741 166	**21 765 710**	**23 463 414**	**3 504 068**

30 NET GAINS/ (LOSSES) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Inflation adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Listed equity securities (Note 7)	338 406	(10 758)	338 406	(1 731)

31 OTHER INCOME

	Inflation adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Rental income	1 958 303	2 164 522	822 265	351 093
Other operating income	5 084 169	16 311	3 710 974	-
Bad debts recovered	4 714 874	-	3 422 267	-
Sundry income	369 295	16 311	288 707	-
	7 042 472	**2 180 833**	**4 533 239**	**351 093**

32 FAIR VALUE LOSS ON INVESTMENT PROPERTY

	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Loss on monetary value	-	-	-	-
Net gain/(loss) from fair value adjustment	179 846 994	(6 597 074)	179 846 994	(1 062 065)
Unrealised gain/(loss) from fair value adjustment of investment property	**179 846 994**	**(6 597 074)**	**179 846 994**	**(1 062 065)**

33 NET FOREIGN EXCHANGE GAINS/(LOSSES)

	Inflation adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Net realised gains from foreign currency trade	-	2 661	310	428
Net unrealised gains/(losses) from translation of foreign currency balances	15 132 385	(60 845)	7 070 243	(9 795)
	15 132 385	**(58 184)**	**7 070 553**	**(9 367)**

34 OPERATING EXPENSES

	Inflation adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Repairs and maintenance	2 846 188	2 484 454	1 398 985	399 973
Employee benefit costs (note 34.1)	51 682 892	50 915 281	17 320 598	8 196 867
Telecommunication and postage	460 521	377 232	238 667	60 731
IT and software costs	6 590 407	3 007 891	3 088 777	484 241
Directors remuneration:				
- for services as directors	482 466	1 224 831	305 960	197 186
Operating lease payments	-	2 374 594	-	382 287
Water, electricity and rates	450 860	607 207	229 854	97 754
Professional fees	5 463 461	3 249 895	2 495 481	523 202
Audit fees	755 325	864 338	472 890	139 150
Depreciation	3 435 806	2 729 100	1 180 823	439 359
Depreciation of right of use assets	120 163	-	111 948	
Amortisation	169 943	267 269	68 101	43 028
Fuel and lubricants	5 553 428	324 336	2 727 677	52 215
Business travel	2 451 265	1 170 558	1 046 173	188 449
Donations, marketing and public relations	15 898 323	2 385 317	3 613 457	384 013
Legal debt	1 596 667	-	1 596 667	
Insurance and security	2 238 097	1 721 381	1 038 319	277 126
Subscriptions	2 264 579	1 371 213	799 850	220 752
Printing and stationery	1 220 052	734 399	520 781	118 231
Bank charges	750 746	571 498	348 067	92 006
Staff training	817 330	411 959	295 278	66 321
Refreshments	342 145	258 747	159 022	41 656
Other administrative costs	3 816 572	2 801 692	1 430 643	451 045
	109 407 236	**79 853 192**	**40 488 018**	**12 855 592**

34.1 Employee benefit costs

Salaries and bonuses	33 450 570	37 426 262	11 968 749	6 025 266
Pension costs	3 992 939	4 820 257	1 226 274	776 015
Post employment medical benefits	1 291 920	1 551 088	452 209	249 710
Leave pay expense	1 695 036	2 123 625	468 626	341 883
Retrenchment expenses	5 468 487	-	1 408 973	-
Other staff expenses	5 783 940	4 994 049	1 795 767	803 993
	51 682 892	**50 915 281**	**17 320 598**	**8 196 867**

	Inflation adjusted		Historical	
Post employment benefits	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Contributions for during the year	3 992 939	4 820 257	1 226 274	776 015

Pension Fund

The Group operates a defined contribution plan for all permanent employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions are paid to a separately administered fund on a mandatory basis. Contributions to this fund are charged against income when incurred. The Group has no further obligations once the contributions have been paid.

34 OPERATING EXPENSES (Continued)

National Social Security Authority Scheme
The Group and all its employees contribute to the National Social Security Authority Scheme, which was promulgated under the National Social Security Act (Chapter 17:04). The Group's obligations under the scheme are limited to specific contributions legislated from time to time.

	Inflation adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Contributions for the year	469 895	641 763	143 206	103 318

35 TAXATION

	Inflation adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Income tax expense				
Current tax expense/(credit)	(5 535)	(2 135)	(5 535)	(344)
Deferred tax		117 794	-	18 964
Tax expense/ (Credit)	**(5 535)**	**115 659**	**(5 535)**	**18 620**
Reconciliation of income tax credit				
Based on results for the period at a normal rate of 25.75%				
Arising due to:				
Accounting profit/ (loss)	21 496	(451 140)	21 496	(72 629)
Tax (Expense) /Credit at 25.75%	**(5 535)**	**115 659**	**(5 535)**	**18 702**
Non-deductible expenses	-	-	-	
Non-taxable income	-	-	-	-
Tax rate differential on capital gains	-	-	-	-
Tax (expense)/ credit	**(5 535)**	**115 659**	**(5 535)**	**18 620**

Previously unrecognised assessed loss give rise to a benefit of ZWL$5 535 that was used to reduce the current tax expense in the current year.

36 EARNINGS PER SHARE

	Inflation adjusted		Historical	
Basic and diluted loss per share	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Basic earnings per share is calculated by dividing the loss attributable to equity holders of the Bank by the number of ordinary shares in issue during the year. No dilutive instruments were held during the year. (2018 - ZWLnil). The calculation of basic earnings per share at 31 December was based on the following:				
Profit/(Loss) attributable to equity holders	**(866 712 868)**	**5 352 707**	**190 551 919**	**861 736**
Weighted average number of issued ordinary shares	**6 528 190**	**6 528 190**	**6 528 190**	**6 528 190**
Basic profit / (loss) per share (ZWL cents)	**(13 276)**	**82**	**2 919**	**13**

37 CONTINGENCIES

Contingent assets
The Group, through its loan recovery efforts, foreclosed on agricultural farms in Matabeleland with an approximate fair value of ZWL18,700,000. However, there has severe challenges in obtaining vacant possession of the agricultural farms due to circumstances beyond the Group's control, whether legal or otherwise. As such, no economic benefits are yet to be derived from the agricultural farms and hence, the Group has not recognised these assets in the financial statements.

A contingent asset has been recognised in anticipation of receipt of compensation with respect to the loss of control of the land.

38 COMMITMENTS AND GUARANTEES

Loan commitments, guarantees and other financial facilities. At 31 December 2019, the Group had contractual amounts for off-statement of financial position financial instruments that commit it to extend guarantees and loans as follows:

Loan commitments	10 774 446	5 732 252	10 774 446	922 837

39 FUNDS UNDER MANAGEMENT

	Inflation adjusted		Historical	
	2019	2018	2019	2018
Government funds under management	**ZWL**	**ZWL**	**ZWL**	**ZWL**
The Government of Zimbabwe disburses, through the Group, fiscal allocations to parastatals and government infrastructure projects. The funds are being managed by the Group for a fee and with no credit risk residual to the Group.				
Held on behalf of:				
Government of Zimbabwe	**251 334 967**	**1 831 807 419**	**251 334 967**	**294 903 252**
Represented by:				
Sinking fund	-		-	-
Amounts awaiting disbursement	**251 334 967**	**1 831 807 419**	**251 334 967**	**294 903 252**

40 RELATED PARTIES

Related party transactions are a normal feature of business and are disclosed in terms of IAS 24: Related Party Disclosures. Related party transactions may affect the assessment of operations, risk and opportunity facing the organisation.

Identity of related parties
The Bank has a related party relationship with its major shareholders, associates and key management personnel.

The following transactions were carried out with related parties:
A number of banking transactions are entered into with related parties in the normal course of business. For the year ended 31 December 2019, these included:
a) Sales and purchases of goods and services
There were no sales and purchases of goods and services with any related parties.
b) Key management compensation
Key management includes directors (executive and non-executive) and members of the Executive Committee. The compensation paid or payable to key management for employee services is shown below:

	Inflation adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Salaries and other short-term employee benefits	6 908 813	6 285 803	2 105 539	1 011 953
Post-employment benefits	257 303	296 030	78 416	47 658
Total	**7 166 116**	**6 581 833**	**2 183 955**	**1 059 611**

40 RELATED PARTIES (Continued)

c) Loans and advances to related parties

Inflation adjusted				
	Directors and other key management personnel 2019 ZWL	Associated companies 2019 ZWL	Directors and other key management personnel 2018 ZWL	Associated companies 2018 ZWL
Loans outstanding at 31 December	2 025 874	-	7 241 417	-
Interest income earned	283 291	-	381 222	-

Loans and advances to related parties

Historical				
	other key management personnel 2019 ZWL	Associated companies 2019 ZWL	other key management personnel 2018 ZWL	Associated companies 2018 ZWL
Loans outstanding at 31 December	2 025 874	-	1 165 798	-
Interest income earned	86 336	-	61 373	-

No allowance for impairment was required in 2019 (2018: ZWL nil) for the loans made to key management personnel.

The loans issued to directors and other key management personnel are unsecured, carry fixed interest rates and are payable on reducing balance.

Inflation adjusted				
d) Deposits from related parties	Directors and other key management personnel 2019 ZWL	Associated companies 2019 ZWL	Directors and other key management personnel 2018 ZWL	Associated companies 2018 ZWL
Deposits at 31 December	11 768	-	6 331	-
Interest expense on deposits	-	-	-	-

Historical				
Deposits from related parties	Directors and other key management personnel 2019 ZWL	Associated companies 2019 ZWL	Directors and other key management personnel 2018 ZWL	Associated companies 2018 ZWL
Deposits at 31 December	11 768	-	1 019	-
Interest expense on deposits	-	-	-	-

The above deposits are unsecured, carry fixed interest rates and are repayable on maturity date.

e) Director's shareholdings
As at 31 December 2019, the Directors did not hold directly and indirectly any shareholding in the Group.

41 EVENTS AFTER THE REPORTING DATE

The Group was involved in a legal case with Engen Petroleum Zimbabwe (Private) Limited, where Engen made a claim against Wedzera Petroleum (Private) Limited as the first defendant and Infrastructure Development Bank of Zimbabwe ("IDBZ" / "the Bank") as second defendant for payment of the sum in respect of fuel supplied to Wedzera on the back of guarantee purportedly issued by IDBZ. Judgement by the Supreme Court was handed down on 10 February 2020 wherein the Bank lost the appeal and was asked to pay ZWL847 848 being the principal of the liability that was owed since 15 April 2016 together with interest at the rate of 5% per annum from 15 April 2016).

The judgment confirmed the liability which was prevalent at 31 December 2019 regarding the legal case between Engen and IDBZ. Hence, the transaction was treated as an adjusting post balance sheet event. Resultantly a liability of ZWL1 005 123 (being capital of ZWL847 848 plus interest of ZWL 157 275) was recognised as a liability as at 31 December 2019.

42 GOING CONCERN

The Group's operations have been significantly affected and may continue to be affected by the challenging environment particularly the lack of liquidity in the Zimbabwean economy. However, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

In the current year, the Group has made a loss of ZWL 866 million (2018: profit of ZWL5 million) hyper inflation adjusted historical profit of ZWL 191 million (2018 ZWL 814k).

In addition, section 32 of the Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14), stipulates that the Bank cannot be wound up except by or under the authority of an Act of the Parliament of Zimbabwe.

The Directors have assessed the ability of the Group to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate. However, the Directors believe that under the current economic environment a continuous assessment of the ability of the Group to continue to operate as a going concern will need to be performed to determine the continued appropriateness of the going concern assumption that has been applied in the preparation of these financial statements.

SHAREHOLDING STRUCTURE

Shareholder	No. of Ordinary Shares	No. of Preference Shares
Government of Zimbabwe c/o Ministry of Finance & Economic Development	16,425,398	382,830
Reserve Bank of Zimbabwe	2,359,414	0
Fidelity Life Assurance Company of Zimbabwe Ltd	12	0
Finnish Fund for Industrial Cooperation Limited (Finnfund)	5	0
African Development Bank (AfDB)	4	0
German Investments & Development Company (DEG)	3	0
European Investments Bank (EIB)	1	0
TOTAL	**18,784,837**	**382,830**

Notes

The par value of each ordinary share is US$0.01
The par value of each preference share is US$100.00

Infrastructure Development Bank of Zimbabwe

NOTICE TO SHAREHOLDERS

35TH ANNUAL GENERAL MEETING

Notice is hereby given that the 35th Annual General Meeting of Members of the Infrastructure Development Bank of Zimbabwe (IDBZ) will be held in the Boardroom, IDBZ House, 99 Rotten Row, Harare, Zimbabwe on Wednesday, 24 June 2020 at 11:00 hours to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Annual Audited Financial Statements and Reports of the Directors and Auditors for the year ended 31 December 2019;
2. To approve the remuneration of the auditors for the year ended 31 December 2019;
3. To confirm the appointment of Baker Tilly Chartered Accountants as Auditors of the Infrastructure Development Bank of Zimbabwe to hold office until the conclusion of the next Annual General Meeting;
4. To approve the remuneration of the Directors for the year ended 31 December 2019;
5. To transact any other business that may be transacted at the Annual General Meeting.

A member entitled to attend and vote at the meeting may appoint a proxy to attend, speak and vote in his stead. A proxy need not be a Member of the Bank. Proxy forms must be lodged at the Registered Office of the Bank not less than 48 hours before the time appointed for the meeting.

By Order of the Board

K Kanguru

Bank Secretary **2 June 2020**

Registered Office:

99 Rotten Row

Harare Zimbabwe

Telephone 263 (024) 2774226/7, 2750171 - 8

Fax: 263 (024) 2749012

Infrastructure Development Bank of Zimbabwe

PROXY FORM

I/WE………

of……..……..………………………

being the registered holder of ……………………………………………………………………………………………………

Ordinary Shares in the Infrastructure Development Bank of Zimbabwe

hereby appoint ....………..

of……..

or, failing him, the Chairman of the meeting as my/our proxies, to vote for me/us and on my/our behalf at the ANNUAL GENERAL MEETING of the Bank to be held in the Boardroom, IDBZ House, 99 Rotten Row, Harare, Zimbabwe on Wednesday, 24 June 2020 commencing at 11:00 hours and at any adjournment thereof.

Signed this ………………. day of ………………………… 2020

Signature of Member ……………………………………

NOTE:

A member entitled to attend and vote at the meeting may appoint any person or persons to attend, speak and vote in his stead. A proxy need not be a Member of the Bank. Proxy forms must be lodged with the Secretary not less than forty-eight (48) hours before the time appointed for the meeting.

Registered Office:

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